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**CHINA ORIENTAL GROUP COMPANY LIMITED**  
**中國東方集團控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 581)**

**MAJOR TRANSACTION  
IN RELATION TO  
THE DISPOSAL OF THE ENTIRE  
INTEREST IN FANGCHENGANG JINXI**

**THE DISPOSAL**

The Board is pleased to announce that on 23 November 2021, the Vendor (an indirectly owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital in the Target Company (i.e. the Sale Shares) at the aggregate consideration of RMB3.5 billion subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, the Company will cease to have any interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Disposal and is required to abstain from voting if the Company is to convene a special general meeting for the approval of the Disposal. The Company will obtain written approval for the Disposal in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising (i) Wellbeing Holdings Limited ("**Wellbeing Holdings**") which is beneficially interested in 1,265,535,124 shares in the Company and Chingford Holdings Limited ("**Chingford Holdings**") which is beneficially interested in 86,953,725 shares in the Company, each controlled by Mr. Han Jingyuan ("**Mr. Han**"); (ii) ArcelorMittal which is beneficially interested in 509,780,740 shares in the Company; and (iii) ArcelorMittal Holdings AG ("**AM Holdings AG**"), controlled by ArcelorMittal, which is beneficially interested in 867,711,151 shares in the Company. The closely allied group of Shareholders collectively holds a total of approximately 73.34% of the entire issued share capital of the Company as of the date of this announcement. As such, no special general meeting will be convened by the Company for the purpose of approving the Disposal.

Pursuant to Rule 14.41(a) of the Listing Rules, the Company is required to despatch a circular containing, among other things, further details of the Disposal and the Sale and Purchase Agreement, to the Shareholders within 15 business days after the publication of this announcement, which is on or before 14 December 2021. The Company may not be able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, in which case the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

## **THE DISPOSAL**

The Board is pleased to announce that on 23 November 2021, the Vendor (an indirectly owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital in the Target Company (i.e. the Sale Shares) at the aggregate consideration of RMB3.5 billion subject to the terms and conditions of the Sale and Purchase Agreement.

## **The Sale and Purchase Agreement**

The principal terms of the Sale and Purchase Agreement are summarised as follows:

### *Date*

23 November 2021

### *Parties*

- (i) the Vendor, an indirectly owned subsidiary of the Company, as the vendor
- (ii) the Purchaser, as the purchaser

### *Subject Matter*

Under the Sale and Purchase Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital in the Target Company. The Disposal excludes the RMB500 million refundable deposit for land acquisition to be recovered from the Bureau of Land and Resources of Fangchenggang City and the Finance Bureau of Fangchenggang City, and the approximately RMB13.8 million forest vegetation restoration fees to be recovered from the Department of Forestry Department of Guangxi Zhuang Autonomous Region by the Vendor.

### *Consideration and Completion*

The Consideration payable under the Sale and Purchase Agreement is RMB3.5 billion, and shall be paid by the Purchaser in cash in the following manner:

- (a) RMB700 million (the “**First Partial Payment**”), being 20% of the Consideration shall be paid within 5 business days of the date of the Sale and Purchase Agreement. Within 15 business days of the Vendor receiving the First Partial Payment, the Parties shall seek to complete the modification of industrial and commercial registration of the Target Company (the “**Relevant Modification**”);
- (b) RMB1,750 million (the “**Second Partial Payment**”), being 50% of the Consideration shall be paid within 2 business days of receiving the proof of acceptance of the formal application of the Relevant Modification; and
- (c) RMB1,050 million (the “**Final Payment**”), being 30% of the Consideration, shall be paid within 5 business days of (i) the announcement of the replacement proposal of the iron and steel production capacity of the Target Company on the relevant Department of Industry and Information Technology (the “**Relevant Announcement**”) or (ii) the written confirmation of the Parties in relation to the intended settlement of Final Payment. Within 5 business days of the receipt of the Final Payment, the Vendor shall deliver the seal, financial information and other corporate documents of the Target Company to the Purchaser to complete the Disposal.

In the event that the Relevant Announcement is not made within 45 days of the date of the Sale and Purchase Agreement, unless the Parties agree to an extension, both Parties have the rights to issue a written cancellation notice, pursuant to which the Sale and Purchase Agreement will cease to be binding on the Parties.

Upon Completion, the Company will cease to have any interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

#### *Condition*

The Completion is conditional upon the approval of the Disposal and the Sale and Purchase Agreement by the Shareholders having been obtained.

#### *Basis for determination of the Consideration*

The Consideration was determined based on arm's length negotiation between the Vendor and the Purchaser with reference to the prevailing market price of the iron and steel production capacity, negotiation with other potential purchasers of the Target Company and the implicit financial costs of the Company associated with the investment in the Target Company.

#### *Guarantee*

On 23 November 2021, the Guarantor provided a guarantee in favour of the Vendor for the performance of the obligation of the Purchaser to pay the Consideration in accordance with the Sale and Purchase Agreement and any liquidated damages associated therewith.

### **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company incorporated in the PRC with limited liability and a 97.6% indirectly owned subsidiary of the Company. It is a project company which had plans to establish a new production base for the purposes of manufacturing and sales of steel products in Fangchenggang City in the PRC. Due to changes in the relevant policies of the PRC government, work on developing the new production base has not commenced. Therefore, the Target Company has not generated any profit as of the date of this announcement.

The unaudited net asset value of the Target Company as at 31 October 2021 was approximately RMB3,226.2 million, which mainly consists of its iron and steel production capacity, and the RMB500 million refundable deposit for land acquisition to be recovered from the Bureau of Land and Resources of Fangchenggang City and the Finance Bureau of Fangchenggang City by the Vendor.

### **INFORMATION OF THE GROUP AND THE VENDOR**

The Company is an investment holding company with trading of steel products and iron ore business. The Group is principally engaged in the manufacturing and sales of steel products, trading of steel products and iron ore and real estate business.

The Vendor is a company incorporated in the PRC with limited liability and a 97.6% indirectly owned subsidiary of the Company. It is principally engaged in manufacturing and sales of steel products, trading of steel products and iron ore and real estate business.

## **INFORMATION OF THE PURCHASER AND THE GUARANTOR**

The Purchaser is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Guarantor. It is principally engaged in the manufacturing and sales of steel products.

The Guarantor is a company incorporated in the PRC with limited liability. It is principally engaged in the manufacturing and sales of steel products.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Purchaser, the Guarantor and their respective beneficial owners is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As disclosed in the 2019 Announcement and the 2021 Interim Report, the Group has entered into an investment agreement with the Fangchenggang City Government in relation to the investment in the Fangchenggang Economic and Technological Development Zone (the “**Investment Agreement**”) and launched the Fangchenggang Project in September 2019 for the establishment of a production base of H-section steel and sheet piling in Fangchenggang City. As discussed in the section headed “Information of the Target Company”, work on developing the new production base has not commenced as of the date of this announcement. Furthermore, as disclosed in the 2021 Interim Report, in view of the action plan for the path towards carbon dioxide peaking and directives to achieve carbon neutrality of the PRC government, there is considerable uncertainty as to whether the Fangchenggang Project can obtain the energy consumption target within a reasonable time.

In light of the above, the Directors have undertaken strategic reviews of the Group’s assets from time to time with a view to maximising returns to the Shareholders while reducing business risks exposure of the Company. The Directors consider that the current market presents a good opportunity for the Company to unlock the value of the Target Company. Accordingly, the Directors believe that the Disposal will enable the Company to reallocate capital into future investment opportunities and pursue other opportunities. The Fangchenggang City Government and the Group have agreed to terminate the Investment Agreement and the Fangchenggang Project following the Completion.

The Directors (including all independent non-executive Directors) consider that the Disposal, the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL IMPACT ON THE GROUP AND USE OF PROCEEDS**

Assuming Completion takes place by 31 December 2021, upon Completion, the Group expects to recognise a gain on disposal of a subsidiary of approximately RMB780 million before costs and expenses from the Disposal in the financial year ending 31 December 2021. The actual gain on disposal of a subsidiary to be recorded by the Company is subject to audit and may be different from the estimated amount.

The net proceeds arising from the Disposal are expected to be used as general working capital and/or financing for future business opportunities of the Group.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Disposal and is required to abstain from voting if the Company is to convene a special general meeting for the approval of the Disposal. The Company will obtain written approval for the Disposal in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising (i) Wellbeing Holdings which is beneficially interested in 1,265,535,124 shares in the Company and Chingford Holdings which is beneficially interested in 86,953,725 shares in the Company, each controlled by Mr. Han; (ii) ArcelorMittal which is beneficially interested in 509,780,740 shares in the Company; and (iii) AM Holdings AG, controlled by ArcelorMittal, which is beneficially interested in 867,711,151 shares in the Company. Mr. Han and ArcelorMittal have been long term Shareholders together for nearly 14 years and have led the strategic development of the Company during the period. The closely allied group of Shareholders collectively holds a total of approximately 73.34% of the entire issued share capital of the Company as of the date of this announcement. As such, no special general meeting will be convened by the Company for the purpose of approving the Disposal.

Pursuant to Rule 14.41(a) of the Listing Rules, the Company is required to despatch a circular containing, among other things, further details of the Disposal and the Sale and Purchase Agreement, to the Shareholders within 15 business days after the publication of this announcement, which is on or before 14 December 2021. The Company may not be able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, in which case the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following words and expressions have the following meanings:

“2019 Announcement”	the voluntary announcement by the Company dated 3 September 2019 in relation to the Investment Agreement entered into by Jinxi Limited and the Fangchenggang City Government
“2021 Interim Report”	the interim report of the Company for the six months ended 30 June 2021
“AM Holdings”	has the meaning as defined in the section headed “Listing Rules Implications”
“Board”	the board of Directors
“Chingford Holdings”	has the meaning as defined in the section headed “Listing Rules Implications”
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability and its issued shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Consideration”	the consideration in the amount of RMB3.5 billion payable by the Purchaser in respect of the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Fangchenggang City”	Fangchenggang City (防城港市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC
“Fangchenggang City Government”	the People’s Government of Fangchenggang City (防城港市), Guangxi Zhuang Autonomous Region (廣西壯族自治區), the PRC
“Fangchenggang Project”	has the meaning as defined in the 2021 Interim Report
“Final Payment”	has the meaning as defined in the section headed “The Sale and Purchase Agreement — Consideration and Completion”
“First Partial Payment”	has the meaning as defined in the section headed “The Sale and Purchase Agreement — Consideration and Completion”



“Group”	the Company and its subsidiaries
“Guarantor”	Qian’an Jiujiang Wire Company Limited* (遷安市九江線材有限責任公司), a company incorporated in the PRC with limited liability, and wholly owning the entire issued share capital of the Purchaser
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Agreement”	has the meaning as defined in the section headed “Reasons and Benefits of the Disposal”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Han”	has the meaning as defined in the section headed “Listing Rules Implications”
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Guangxi Chiji Iron and Steel Company Limited* (廣西翅冀鋼鐵有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 23 November 2021 entered into among the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	the entire issued share capital of the Target Company held by the Vendor
“Second Partial Payment”	has the meaning as defined in the section headed “The Sale and Purchase Agreement — Consideration and Completion”
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Target Company” or “Fangchenggang Jinxi”	Fangchenggang Jinxi Section Steel Technology Limited* (防城港津西型鋼科技有限公司), a company established in the PRC with limited liability and a 97.6% indirectly owned subsidiary of the Company
“Vendor” or “Jinxi Limited”	Hebei Jinxi Iron and Steel Group Company Limited* (河北津西鋼鐵集團股份有限公司), a company incorporated in the PRC with limited liability and a 97.6% indirectly owned subsidiary of the Company
“Wellbeing Holdings”	has the meaning as defined in the section headed “Listing Rules Implications”
“%”	per cent

By order of the Board  
**China Oriental Group Company Limited**  
**HAN Jingyuan**  
*Chairman and Chief Executive Officer*

Hong Kong, 23 November 2021

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. HAN Jingyuan, Mr. ZHU Jun, Mr. SHEN Xiaoling, Mr. HAN Li and Mr. Sanjay SHARMA being the Executive Directors, Mr. Ondra OTRADOVEC and Mr. ZHU Hao being the Non-executive Directors and Mr. WONG Man Chung, Francis, Mr. WANG Tianyi, Mr. WANG Bing and Dr. TSE Cho Che, Edward being the Independent Non-executive Directors.*

*This announcement is published on the websites of the Company ([www.chinaorientalgroup.com](http://www.chinaorientalgroup.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).*

\* *For identification purpose only*