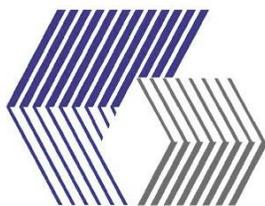


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CHINA ORIENTAL GROUP COMPANY LIMITED

中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 00581)

**DISCLOSEABLE TRANSACTION IN
RELATION TO THE TRANSFER OF
IRON AND STEEL PRODUCTION CAPACITY**

INTRODUCTION

On 13 July 2021, Jinxi Limited entered into the Capacity Transfer Agreement with Tangshan Ganglu in relation to the transfer of the Target Capacity from Jinxi Limited to Tangshan Ganglu at a total consideration of RMB569,872,000 (including VAT).

THE CAPACITY TRANSFER AGREEMENT

The principal terms of the Capacity Transfer Agreement are summarised below:

Date

13 July 2021

Parties

- (1) Transferor : Jinxi Limited
- (2) Transferee : Tangshan Ganglu

As of the dates of the Capacity Transfer Agreement and this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tangshan Ganglu and its ultimate beneficial owner(s) is/are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be transferred

Pursuant to the terms of the Capacity Transfer Agreement, Jinxi Limited agreed to sell, and Tangshan Ganglu agreed to acquire, the Target Capacity, being the Target Iron Production Capacity (i.e. iron production capacity of 475,800 tonnes per year) and the Target Steel Production Capacity (i.e. steel production capacity of 284,200 tonnes per year).

Consideration

The consideration for the Target Iron Production Capacity and the Target Steel Production Capacity shall be RMB328,302,000 and RMB241,570,000, respectively. The total consideration for the Target Capacity of RMB569,872,000 (including VAT) shall be paid by Tangshan Ganglu to Jinxi Limited in cash in the following manner:

- (1) RMB50,000,000 (the “**First Partial Payment**”) shall be paid within 5 business days of the date of the Capacity Transfer Agreement;
- (2) RMB469,872,000 (the “**Second Partial Payment**”) shall be paid within 5 business days of the publication of the official announcement in relation to the transfer of the Target Capacity on the website of the Industry and Information Technology Department of Hebei Province; and
- (3) RMB50,000,000 shall be paid within 3 days upon the receipt of the value-added-tax invoice issued by Jinxi Limited and such invoice shall be issued to Tangshan Ganglu within 5 business days upon the receipt of the First Partial Payment and the Second Payment by Jinxi Limited.

Basis of consideration

The total consideration for the Target Capacity was arrived at based on the prevailing market prices of the iron and steel production capacity after arm’s length negotiations between Jinxi Limited and Tangshan Ganglu.

Termination

Should the official announcement on the transfer of the Target Capacity (the “**Official Announcement**”) is not published within 2 months after the signing of the Capacity Transfer Agreement due to the policy of the relevant authority, Jinxi Limited will refund all the payments received, without interest, and the Capacity Transfer Agreement will be terminated. Should the authority require additional time to approve the transfer of the Target Capacity, both parties may enter into supplemental agreement(s).

Although the Official Announcement was published on 23 December 2021, it has been separately agreed between Jinxi Limited and Tangshan Ganglu that the parties will proceed to completion of the transactions contemplated under the Capacity Transfer Agreement.

Completion

The transfer of the Target Capacity from Jinxi Limited to Tangshan Ganglu has been completed on 2 April 2022.

INFORMATION ON THE PARTIES

Information on the Group and Jinxi Limited

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 iron and steel products, trading of steel products, iron ore and related raw materials, sales of power equipment and real estate business.

Jinxi Limited is a company established 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.

Information on Tangshan Ganglu

Tangshan Ganglu is a company established in the PRC with limited liability. It is principally engaged in manufacturing and sales of steel products.

REASONS FOR AND BENEFITS OF THE TRANSFER

During the first half of 2021, the demand for commodities and raw materials was stimulated by the gradual improvement of the global economy. With a strong demand in the domestic steel market and a significant increase in the average selling price of steel products, the steel industry as a whole has been performing well, showing strong production and sales and improved efficiency.

From a policy perspective, pursuant to the “Implementation Measures of Capacity Replacement in the Iron and Steel Industry” (《鋼鐵行業產能置換實施辦法》) issued by the Ministry of Industry and Information Technology of the PRC in May 2021 and related governmental guidance, the domestic iron and steel industry continues to advance the supply-side structural reform with a view to cutting overcapacity and reducing excess backlog of steel products in the market.

In light of the above, the Group targets to enhance operational efficiency and sustainability through efficiency improvement, cost control and investment in environmental protection. The Directors consider that the transfer of Target Capacity to Tangshan Ganglu pursuant to the Capacity Transfer Agreement would enable the Group to benefit from the strong demand in the domestic steel market and a significant increase in average selling price of the steel products during the first half of 2021, generating cash inflow of approximately RMB570 million from its idle assets.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions (including the total consideration) of the Capacity Transfer Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE GROUP AND USE OF PROCEEDS

The audited net book value of the Target Capacity as at 31 December 2020 was approximately RMB48.89 million. Upon completion of the transfer of the Target Capacity, the Group expects to recognise a gain on disposal of approximately RMB494 million before costs and expenses (excluding VAT), calculated based on the adjusted and unaudited net book value of the Target Capacity as of the completion of the transfer, from such transfer in the financial year ending 31 December 2022. The actual gain on disposal of the Target Capacity to be recorded by the Company is subject to audit and may be different from the estimated amount.

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

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transfer of the Target Capacity exceeds 5% but is less than 25%, the transfer of the Target Capacity constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

COMPLIANCE WITH THE LISTING RULES

Due to an oversight of the Group, the Company had not previously disclosed the details of the Capacity Transfer Agreement in a timely manner in accordance with the requirements of Chapter 14 of the Listing Rules. The Company would like to stress that the late disclosure was inadvertent and the Company had no intention to withhold any information from disclosure.

REMEDIAL ACTIONS

The Company deeply regrets its failure to make timely disclosure in respect of the Capacity Transfer Agreement in compliance with the Listing Rules. The Board will adopt the following measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future:

- (1) engaging an independent internal control consultant to review the internal control systems of the Group to identify the Group's internal control weaknesses and/or deficiencies and implementing new measures to enhance the internal control functions of the Group if necessary;
- (2) arranging for the internal control department to review, strengthen and continue to monitor the Company's internal control, operation and reporting procedures in respect of the monitoring of all transactions, including reviewing and evaluating the nature of any possible acquisitions or disposals of iron and steel production capacity which may constitute notifiable transactions and/or connected transactions under the Listing Rules before such acquisitions or disposals are conducted by the Group, and seek professional advice if necessary;
- (3) strengthening the communication between the management, including the transaction team personnel in the PRC, and the professional advisers of the Company for consultation of the compliance with the Listing Rules in respect of any notifiable transactions and/or connected transactions under the Listing Rules; and

- (4) requiring the Directors and the senior management of the Company to attend trainings and providing them with the updates on the Listing Rules, including identification of notifiable and connected transactions and compliance of the Listing Rules, to be provided by the Company’s professional advisers or other external institutions.

Going forward, the Company will make such disclosure in a timely manner to ensure compliance with the Listing Rules.

DEFINITION

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

“Board”	the board of Directors
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Capacity Transfer Agreement”	a capacity transfer agreement dated 13 July 2021 entered into between Jinxi Limited and Tangshan Ganglu in relation to the transfer of the Target Capacity from Jinxi Limited to Tangshan Ganglu
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tangshan Ganglu”	Tangshan Ganglu Iron & Steel Co., Ltd.* (唐山港陸鋼鐵有限公司), a company incorporated in the PRC with limited liability
“Target Capacity”	collectively, the Target Iron Production Capacity and the Target Steel Production Capacity
“Target Iron Production Capacity”	iron production capacity of 475,800 tonnes per year
“Target Steel Production Capacity”	steel production capacity of 284,200 tonnes per year
“VAT”	value-added tax
“%”	per cent

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

Hong Kong, 5 August 2022

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) and the Stock Exchange (www.hkexnews.hk)

**For identification purposes only*