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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  
SUBSCRIPTION OF SHARES IN  
QINGDAO HUIJINTONG**

On 13 January 2021, Jinxi Limited, an indirect non-wholly owned subsidiary of the Company, entered into the Share Subscription Agreement with HJT, pursuant to which HJT has conditionally agreed to issue and Jinxi Limited has conditionally agreed to subscribe not more than 50,870,865 Target Shares at a subscription price of RMB7.51 per Target Share.

As of the date of this announcement, the Company (through its subsidiaries Jinxi Limited and Tianjin Ansai) is holding approximately 30% in HJT. Assuming 50,870,865 Target Shares will be issued pursuant to the Share Subscription Agreement, the Group will be holding approximately 40.5% in HJT on a fully diluted basis.

**THE SHARE SUBSCRIPTION AGREEMENT**

Key terms of the Share Subscription Agreement are summarized below:

<b>Date</b>	13 January 2021
<b>Parties</b>	(1) Jinxi Limited (2) HJT

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, HJT and its ultimate beneficial owner(s) (other than relevant members of the Group) are third parties independent of the Group and its connected persons (as defined under the Listing Rules).

## **Assets to be acquired**

The assets to be acquired by Jinxi Limited pursuant to the Share Subscription Agreement are such number of new Target Shares to be issued by HJT, being not more than 50,870,865 Target Shares, subject to any relevant adjustment in case of any bonus issue, capitalisation issue, or other similar events of HJT during the period between the Price Determination Date and the date of issue of the Target Shares pursuant to the Share Subscription Agreement.

As of the date of this announcement, the Company (through its subsidiaries Jinxi Limited and Tianjin Ansai) is holding approximately 30% in HJT, which were acquired during the period from September 2019 to July 2020. Assuming 50,870,865 Target Shares will be issued pursuant to the Share Subscription Agreement, the Group will be holding approximately 40.5% in HJT on a fully diluted basis.

Please refer to the section headed “INFORMATION ON THE PARTIES – Information on HJT” of this announcement for more information on HJT.

## **Subscription price and Consideration**

The subscription price is RMB7.51 per Target Share, which was determined on the basis of 80% of the average trading price of the Target Shares for the 20 consecutive trading days immediately prior to the date of announcement of HJT’s board resolutions approving the Subscription (the “Price Determination Date”), subject to any relevant adjustment in case of any payment of dividends, bonus issue, capitalisation issue or other similar events of HJT during the period between the Price Determination Date and the date of issue of the Target Shares pursuant to the Share Subscription Agreement.

Assuming 50,870,865 Target Shares will be issued pursuant to the Share Subscription Agreement, the total Consideration will be approximately RMB382,040,196.15 (equivalent to approximately HK\$458,840,000), which will be paid in cash to HJT at Completion.

As of the date of this announcement, the Group intends that the Consideration will be funded by internal resources of the Group and available bank facility.

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

The Consideration has been determined in accordance with relevant regulations including Administrative Measures for the Issuance of Securities by Listed Companies issued by the CSRC, after arm’s length negotiations between Jinxi Limited and HJT taking into account primarily (i) the prevailing trading price of Target Shares; (ii) the business performance and prospects of HJT; and (iii) other factors referred to in the paragraph headed “REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT” below.

## **Conditions**

Completion of the Subscription is subject to fulfilment of the conditions of (i) approval by the board meeting and the shareholders meeting of HJT for the issue of Target Shares pursuant to the Share Subscription Agreement; and (ii) approval by the CSRC for the issue of Target Shares pursuant to the Share Subscription Agreement, having been obtained.

## **Completion**

Completion of the Subscription is subject to the fulfilment of the Conditions.

## **Lock-up period**

Jinxi Limited is not allowed to transfer the Target Shares acquired pursuant to the Subscription within three years after completion of the Subscription and thereafter subject to applicable rules and regulations of the CSRC and the Shanghai Stock Exchange.

## **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 steel products, trading of steel products and iron ore and real estate business.

Jinxi Limited 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 on HJT**

HJT is a company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 603577). It is principally engaged in the research and development, manufacturing and sales of electric power transmission facilities. The audited net asset value of HJT as at 31 December 2019 and unaudited net asset value of HJT as at 30 September 2020 based on its management accounts were approximately RMB1,254,673,677.93 and RMB1,329,482,796.13. The audited financial information of HJT prepared in accordance with PRC GAAP for the two financial years immediately preceding the date of the Share Subscription Agreement is set out as follows:

	<b>For the financial year ended 31 December</b>	
	2019	2018
	(RMB)	(RMB)
	(audited)	(audited)
Net profit before taxation	63,898,940.32	33,243,854.47
Net profit after taxation	59,841,382.25	31,347,694.01

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT**

The Group is principally engaged in the manufacturing and sales of steel products, trading of steel products and iron ore and real estate business.

HJT is principally engaged in the research and development, manufacturing, and sales of electric power transmission facilities and it currently operates a manufacturing plant in Shandong Province of the PRC with an annual production capacity of approximately 250,000 tonnes. HJT is a current downstream customer of the Group as section steel products are one of the major raw materials for manufacturing of steel power transmission towers.

As disclosed in the 2019 annual report and 2020 interim report of the Company, the Group has been proactively considering a wide variety of possibilities, including horizontal and vertical (particularly downstream) corporate mergers and acquisitions to achieve sustainable development. The Board is of the view that the Subscription, if materialised and taken together with the 2019 Subscription and 2020 Acquisition, represents a good vertical expansion opportunity for the Group to further increase our holding at a favourable price in, and hence influence over, HJT, and strengthen the business relationship with HJT. In addition, the potential downstream integration is expected to secure a more steady demand for our section steel products, provide greater insight into downstream customers' needs and generate synergies through streamlining resources management in the long run.

In light of the above, the Directors believe that the terms of the Subscription are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Reference is made to the announcement of the Company dated 7 June 2020 in relation to the 2020 Acquisition, in which further details on previous acquisitions of Target Shares by the Group, including the 2019 Subscription, were disclosed.

Given that the highest of all applicable percentage ratios in respect of the Subscription, when aggregated with the 2019 Subscription and the 2020 Acquisition, is 5% or more but less than 25%, the Subscription constitutes a discloseable transaction of the Company on an aggregated basis under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements thereunder.

**As completion of the Subscription is subject to the terms and conditions under the Share Subscription Agreement, the Subscription may or may not materialise. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITION**

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

“2019 Subscription”	the subscription by Tianjin Ansai of 30,885,882 Target Shares allotted and issued by HJT in September 2019
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“2020 Acquisition”	the acquisition of the 43,240,235 Target Shares by Jinxi Limited from Ms. Liu Yanhua pursuant to the share transfer agreement dated 7 June 2020
“Board”	the board of Directors
“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 Subscription
“Conditions”	the conditions precedent to Completion
“Consideration”	the total consideration for the Subscription as more particularly described in the section headed “Subscription price and Consideration” of this announcement
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HJT”	Qingdao Huijintong Power Equipment Company Limited* (青島匯金通電力設備股份有限公司), a company incorporated in the PRC with limited liability and its issued shares are listed on the Shanghai Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share Subscription Agreement”	the share subscription agreement dated 13 January 2021 between Jinxi Limited and HJT in relation to the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Jinxi Limited of not more than 50,870,865 Target Shares at the subscription price of RMB7.51 per Target Share pursuant to the Share Subscription Agreement
“Target Shares”	shares of a face value of RMB1.00 of HJT
“Tianjin Ansai”	Tianjin Ansai Assets Management Co., Ltd.* (天津安塞資產管理有限公司), a company incorporated in the PRC with limited liability, a 97.6% indirectly owned subsidiary of the Company and an indirect wholly-owned subsidiary of Jinxi Limited
“%”	per cent

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

Hong Kong, 13 January 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*