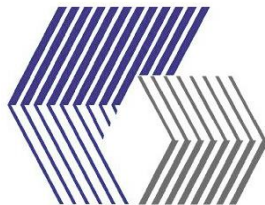


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CHINA ORIENTAL GROUP COMPANY LIMITED

中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 581)

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

INTRODUCTION

On 24 August 2023, Jinxi Limited entered into the Capacity Transfer Agreement with Tangshan Guotang in relation to the transfer of the Target Capacity from Jinxi Limited to Tangshan Guotang at a total consideration of RMB810,000,000 (including VAT).

THE CAPACITY TRANSFER AGREEMENT

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

Date

24 August 2023

Parties

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

Assets to be transferred

Pursuant to the terms of the Capacity Transfer Agreement, Jinxi Limited agreed to sell, and Tangshan Guotang agreed to acquire, the Target Capacity, being the iron production capacity of 1,080,000 tonnes per year.

Consideration

The consideration for the Target Capacity is RMB810,000,000 (including VAT), which shall be paid by Tangshan Guotang to Jinxi Limited in cash in the following manner:

- (1) RMB405,000,000 has been paid prior to Jinxi Limited and Tangshan Guotang entering into the Capacity Transfer Agreement; and
- (2) RMB405,000,000 shall be paid within 5 business days from the date of the Capacity Transfer Agreement.

Basis of consideration

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

Termination

Should Tangshan Guotang fail to settle the consideration in accordance with the above schedule, the Capacity Transfer Agreement will be automatically terminated. Jinxi Limited will be entitled to not less than 10% of the total consideration as liquidated damages, and will look into opportunities to sell the Target Capacity to other potential purchasers.

Should Jinxi Limited fail to provide the requisite documents and materials for Tangshan Guotang to complete the registration procedures in relation to the transfer of the Target Capacity 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.

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 Guotang

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

As of the date of the Capacity Transfer Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tangshan Guotang is owned as to 80.00% and 20.00% by Tangshan Ganglu and Tangshan Guoyi Special Steel Co., Ltd.* (唐山國義特種鋼鐵有限公司), respectively. Tangshan Ganglu is owned as to 76.27% and 23.73% by Nation Glory Limited (國濤有限公司), a wholly-owned company of Mr. Wang Shuhua (王樹華), and Yushan (Beijing) Metallurgical Investment Co., Ltd.* (裕山(北京)冶金投資有限公司), respectively. Tangshan Guotang and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

REASONS FOR AND BENEFITS OF THE TRANSFER

From a policy perspective, the PRC governmental authorities have issued a series of policies with a view to resolving excessive production capacity in the iron and steel industry. Pursuant to the “Guiding Opinions on Promoting the High Quality Development of the Iron and Steel Industry” (《關於促進鋼鐵工業高品質發展的指導意見》) and “Action Plan for Improving Industrial Energy Efficiency” (《工業能效提升行動計劃》) issued by the Ministry of Industry and Information Technology of the PRC in conjunction with other ministries in February and July 2022, the domestic iron and steel industry continues to advance the supply-side structural reform with a view to cutting overcapacity and achieving reduction in emissions and overall energy consumptions.

In light of the above, as disclosed in the 2022 Annual Report of the Company, the Group has continued 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 Guotang pursuant to the Capacity Transfer Agreement aligns to the policy above and enables the Group to coordinate and improve the efficiency of its resource allocation. In particular, due to (i) the crude steel output cap imposed by PRC governmental authorities which limits crude steel production of enterprises in 2023 to the level of 2022; and (ii) the continued enhancement of the product mix of the Group in light of the above policy considerations, the Group's demand on iron and steel production capacity has been reduced gradually. Therefore, the Target Capacity has not been fully utilised by the Group, and the transfer of the Target Capacity would enable the Group to benefit from a gain on disposal of approximately RMB433 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 in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE GROUP AND USE OF PROCEEDS

The unaudited net book value of the Target Capacity as at 30 June 2023 was approximately RMB52 million. Upon completion of the transfer of the Target Capacity, the Group expects to recognise a gain on disposal of approximately RMB433 million before costs and expenses (excluding VAT of approximately RMB46 million in the consideration) from such transfer in the financial year ending 31 December 2023, calculated based on the unaudited net book value of the Target Capacity as at 30 June 2023 and deducting the estimated provision of approximately RMB279 million for the impairment of the associated production equipment (for example, the blast furnace which the Group is unable to operate without the Target Capacity). 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 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.

DEFINITIONS

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

“Board”	the board of Directors
“Capacity Transfer Agreement”	the capacity transfer agreement dated 24 August 2023 entered into between Jinxi Limited and Tangshan Guotang in relation to the transfer of the Target Capacity from Jinxi Limited to Tangshan Guotang
“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
“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
“Tangshan Guotang”	Tangshan Guotang Iron & Steel Co., Ltd.* (唐山國堂鋼鐵有限公司), a company incorporated in the PRC with limited liability
“Target Capacity”	iron production capacity of 1,080,000 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, 24 August 2023

As at the date of this announcement, the Board 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*