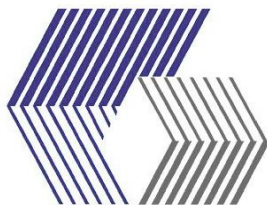


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**CHINA ORIENTAL GROUP COMPANY LIMITED**

**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 ACQUISITION OF ASSETS**

Reference is made to the announcement of the Company dated 21 June 2022 (the “**Announcement**”) in relation to the Bid-Winning Confirmation Letter issued on the same date, pursuant to which Guangxi Huadian (an indirectly owned subsidiary of the Company) is confirmed to be the preferred bidder to acquire the Target Assets from Guangxi SBD (the “**Acquisition**”). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Board is pleased to announce that on 9 August 2022, Guangxi Huadian entered into the Assignment Contract with Guangxi SBD in relation to the Acquisition.

### **THE ASSIGNMENT CONTRACT**

The principal terms of the Assignment Contract and the Acquisition are summarised as follows:

- Date:** 9 August 2022
- Parties:**
- (1) Guangxi SBD, as the assignor
  - (2) Guangxi Huadian, as the assignee

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, Guangxi SBD and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## Target Assets:

A power transmission tower factory asset bundle (輸電鐵塔廠資產包) with approximately 100,000 tonnes of production capacity, consisting of:

- (1) Intangible assets:
  - (a) Land use rights over Nanning state-owned construction land parcel Nanning State Use (2014) No. 642272 (南寧國用(2014)第642272號國有建設用地), situated at West of Mingkai Road, South of Shiyuan Road, Mingyang Industrial Zone, Jiangnan District, Nanning City, Guangxi Zhuang Autonomous Region (廣西壯族自治區南寧市江南區明陽工業區明凱路以西、師園路以南) with a total site area of 186,454.81 m<sup>2</sup> (the “**Land Parcel**”). The Land Parcel is designated for industrial use and its land use rights shall expire on 4 March 2064;
  - (b) Certain software assets including manufacturing execution system (MES) production information management system, tower stakeout design system and SigmaNest cutting management nesting software;
  - (c) Three utility model patents including (i) a pickling workshop for a steel structure factory; (ii) a box cross arm for electric power steel pipe pole; and (iii) CNC plasma cutting machine platform and basin to be used for absorbing plasma cutting’s smoke and dust; and
  - (d) A trademark relating to products registered on 30 July 1998 with registration number of 319811 and expiring on 29 July 2028;
- (2) Fixed assets:
  - (a) Buildings with a total gross floor area of 83,041.32 m<sup>2</sup>;
  - (b) 665 sets of machinery and equipment;
  - (c) 11 transportation vehicles; and
  - (d) 227 sets of electronic equipment; and

- (3) Inventories including in-process products and raw materials.

Based on the valuation report dated 30 September 2021 issued by Zhonglian Asset Appraisal Group Guangxi Co., Ltd. (中聯資產評估集團廣西有限公司), the market value of the Target Assets as at 31 July 2021 is RMB330,166,100.

**Payment of consideration:**

The total consideration for the Target Assets shall be RMB297,149,500 (excluding VAT and certain other taxes) (the “**Total Consideration**”). The VAT and certain other taxes in respect of the Acquisition shall be borne by Guangxi Huadian pursuant to applicable PRC laws and regulations.

Pursuant to the Assignment Contract, the Total Consideration shall be settled by way of instalment in the following manner:

- (i) the Deposit of RMB89,140,000 has been paid by Guangxi Huadian to participate in the Auction;
- (ii) a further deposit of RMB4,850 shall be paid by Guangxi Huadian to the bank account designated by Guangxi SBD within 5 business days from the date of the Assignment Contract; and
- (iii) for the remainder of the Total Consideration (i.e. RMB208,004,650), 30% of the Total Consideration (i.e. RMB89,144,850) shall be paid by Guangxi Huadian to the bank account designated by Guangxi SBD within 5 business days following the satisfaction of the conditions below, while 40% of the Total Consideration (i.e. RMB118,859,800) (the “**Guaranteed Portion**”) together with corresponding interest accrued from the next day following the satisfaction of the conditions below up to the date of relevant payment shall be paid on a one-off basis by Guangxi Huadian to the bank account designated by Guangxi SBD up to one year from the date of the Assignment Contract:
  - (a) the completion of the registration of change in ownership of relevant land use rights; and

- (b) the transfer and registration of all licenses, permits and ownership certificates relating to the Target Assets (including but not limited to pollution discharge permit, EIA approval, intellectual property rights and property ownership certificate) under the name of Guangxi Huadian.

The Total Consideration will be funded with the Group's internal financial resources and/or financing.

**Completion of the Acquisition:** Unless the parties agree otherwise, Guangxi SBD shall, within 10 business days from the date of the Assignment Contract, transfer to Guangxi Huadian the Target Assets, the corresponding ownership certificates and relevant materials pursuant to the Assignment Contract.

Guangxi SBD shall render all necessary assistance and cooperation to Guangxi Huadian in registering the change in ownership of the Target Assets pursuant to applicable PRC laws and regulations within 10 business days upon Guangxi Huadian's receipt of the transaction invoice issued by China Beijing Equity Exchange (unless otherwise specified in the Assignment Contract or agreed between the parties).

## **BASIS FOR DETERMINATION OF THE TOTAL CONSIDERATION**

The Total Consideration was determined on normal commercial terms and after arm's length negotiations between Guangxi Huadian and Guangxi SBD taking into account primarily (i) the initial minimum bidding price of the Target Assets set out by Guangxi SBD for the Auction; (ii) the valuation of the Target Assets as per the valuation report dated 30 September 2021 issued by Zhonglian Asset Appraisal Group Guangxi Co., Ltd. (中聯資產評估集團廣西有限公司); (iii) the business performance and prospects of the Target Assets; and (iv) other factors referred to in the section headed "Reasons for Entering Into the Assignment Contract" below.

## **GUARANTEE**

As part of the Assignment Contract, on 9 August 2022, HJT, the parent company of Guangxi Huadian, provided a guarantee in favour of Guangxi SBD for the performance of the obligation of Guangxi Huadian to pay the Guaranteed Portion of the Total Consideration in accordance with the Assignment Contract and any liquidated damages associated therewith.

## **INFORMATION ON THE PARTIES**

### **Information on the Group, Guangxi Huadian and HJT**

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.

Guangxi Huadian is a company established in the PRC with limited liability. Guangxi Huadian is an indirect wholly-owned subsidiary of HJT and an indirectly owned subsidiary of the Company. It is principally engaged in research and development, manufacturing and sales of electric power transmission facilities.

HJT is a company incorporated in the PRC with limited liability with its issued shares listed on the Shanghai Stock Exchange (stock code: 603577) and an indirectly owned subsidiary of the Company. It is principally engaged in the research and development, manufacturing and sales of electric power transmission facilities.

### **Information on Guangxi SBD**

Guangxi SBD is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Guangxi Power Grid Co., Ltd. (廣西電網有限責任公司). It is principally engaged in general contracting of electric power engineering and infrastructure construction projects and exportation of construction equipment and materials.

## **REASONS FOR ENTERING INTO THE ASSIGNMENT CONTRACT**

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. Following completion of the Acquisition, the Company, with its strategic development footprint rooted in Nanning, Guangxi, the PRC, will be in a better position to serve its customers in Southern China, enhance users' stickiness and expand its existing power grid geographical coverage and market shares. The mature and well-established infrastructure as part of the Target Assets (e.g. factories and equipment) provides an optimal environment for mass industrial production, which achieves synergy with the Group's existing power transmission tower plants headquartered in Qingdao, Chongqing, and Taizhou through economies of scale and facilitates our nationwide strategy in achieving greater North-South power grid connection, inland coverage and overseas market expansion. The expansion in our scale of operations will also enhance the bargaining power of the Company in the industry, reduce logistics and management costs and lead to sustainable profitability, which aligns with the overall development strategy of the Company.

In light of the above, the Directors believe that the terms of the Assignment Contract are fair and reasonable and the Acquisition will be in the interests of the shareholders of the Company as a whole.

## 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 Acquisition exceeds 5% but is less than 25%, the entering into of the Assignment Contract constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of 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 and its issued shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EIA”	environmental impact assessment
“Group”	collectively, the Company and its subsidiaries from time to time
“Guangxi Huadian”	Guangxi Huadian Intelligent Equipment Co., Ltd.* (廣西華電智能裝備有限公司), a company incorporated in the PRC with limited liability and an indirectly owned subsidiary of the Company
“Guangxi SBD”	Guangxi Transmission & Substation Construction Co., Ltd.* (廣西送變電建設有限責任公司), a company incorporated in the PRC with limited liability
“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 with its issued shares listed on the Shanghai Stock Exchange (stock code: 603577) and an indirectly owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	has the meaning as defined in the section headed “the Assignment Contract” in this announcement
“Total Consideration”	has the meaning as defined in the section headed “the Assignment Contract” in this announcement
“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, 9 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](http://www.chinaorientalgroup.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).*

*\*For identification purpose only*