

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
ACQUISITION OF LAND USE RIGHTS**

INTRODUCTION

The Board is pleased to announce that, (i) on 22 March 2023, Relevant Subsidiaries of the Company participated in an auction administered by the Auctioneer and was determined as the preferred bidders, and the Relevant Subsidiaries entered into the Bid-Winning Confirmation Letters with the Auctioneer in relation to the Relevant Subsidiaries' preferred bid for the land use rights of the 2023 Land Parcel for a total consideration of approximately RMB710.26 million; and (ii) on 8 September 2022, Jinxi Limited, an indirect non-wholly owned subsidiary of the Company, entered into the Assignment Contract with the Vendor, pursuant to which Jinxi Limited agreed to acquire and the Vendor agreed to assign the land use rights of the 2022 Land Parcel for a consideration of approximately RMB27.00 million. With respect to the 2023 Acquisition, the Relevant Subsidiaries had paid a total Deposit of RMB642 million, being approximately 90.4% of the total consideration for the 2023 Land Parcel, to participate in the auction. The permitted land use for the 2023 Land Parcel is industrial use and the term of land use rights is 50 years.

THE BID-WINNING CONFIRMATION LETTERS

The principal terms of the Bid-Winning Confirmation Letters are summarised as follows:

Date	22 March 2023
Parties	(i) The Auctioneer; and (ii) Relevant Subsidiaries, as the buyer

Land concerned

2023 Land Parcel, each situated at West District of Economic Development Zone, Qianxi County, Tangshan City, Hebei Province, the PRC, with a total site area of approximately 2,102,476 square meters which include:

- (i) Land parcel no.130227JX00001, with a site area of approximately 31,284 square meters;
- (ii) Land parcel no.130227JX00002, with a site area of approximately 10,000 square meters;
- (iii) Land parcel no.130227JX00001, with a site area of approximately 472,273 square meters;
- (iv) Land parcel no.130227JX00003, with a site area of approximately 246,198 square meters;
- (v) Land parcel no.130227JX00004, with a site area of approximately 23,335 square meters;
- (vi) Land parcel no.130227JX00005, with a site area of approximately 610,993 square meters;
- (vii) Land parcel no.130227JX00006, with a site area of approximately 282,851 square meters; and
- (viii) Land parcel no.130227JX00007, with a site area of approximately 425,542 square meters

Total consideration

Approximately RMB710.26 million of which approximately RMB709.59 million and RMB0.67 million constitute the total consideration for the 2023 Land Parcel and the commission payable to the Auctioneer, respectively

Confirmation and agreement

Pursuant to the Bid-Winning Confirmation Letters, the Auctioneer and the Relevant Subsidiaries confirmed and agreed, among other things, that:

- (i) within 3 days from the date of the Bid-Winning Confirmation Letters, the Relevant Subsidiaries shall pay the commission for the 2023 Land Parcel to the Auctioneer;
- (ii) within 10 business days from the date of the Bid-Winning Confirmation Letters, the Relevant Subsidiaries shall enter into assignment contracts with the Vendor to acquire the land use rights of the 2023 Land Parcel; and

- (iii) if the Relevant Subsidiaries fail to pay the commission for the 2023 Land Parcel within 10 days from the date of the Bid-Winning Confirmation Letters, the Relevant Subsidiaries' status as the preferred bidders at the auction could be revoked by the Auctioneer and the Deposit shall be forfeited.

Detailed terms and conditions, including the payment terms of the remaining balance, in respect of the 2023 Acquisition shall be further agreed between the Vendor and the Relevant Subsidiaries in the assignment contracts.

The Relevant Subsidiaries had paid the Deposit, and will pay the remaining balance, with their internal resources.

THE ASSIGNMENT CONTRACT

The principal terms of the Assignment Contract and the 2022 Acquisition are summarised as follows:

Date	8 September 2022
Parties	(i) The Vendor, as the assignor; and (ii) Jinxi Limited, an indirect non-wholly owned subsidiary of the Company, as the assignee
Land concerned	2022 Land Parcel (parcel no.130227001001JX00001), situated at West District of Economic Development Zone, Qianxi County, Tangshan City, Hebei Province, the PRC, with a total site area of approximately 80,010 square meters
Permitted land use	For industrial use
Term of land use rights	50 years
Total consideration	Approximately RMB27.00 million
Completion of 2022 Acquisition	The consideration had been settled by Jinxi Limited on 19 September 2022 with its internal resources.

Registration of transfer of land use rights of the 2022 Land Parcel has been completed on 16 September 2022.

REASONS AND BENEFITS FOR THE ACQUISITIONS

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. Notwithstanding that the Group has established manufacturing plants on the 2023 Land Parcel and other manufacturing facilities in Hebei Province, Guangdong Province, Shandong Province, Jiangsu Province and Chongqing City of the PRC, the Group has been considering opportunities to expand its existing business, including but not limited to the expansion of its asset portfolio. The Land Parcels acquired pursuant to the Acquisitions provide the Group with abundant capacity and flexibility to strengthen the Group's leading position in manufacturing of iron and steel products in the PRC.

The Acquisitions were conducted by way of open tender and the consideration for each of the Acquisitions represents the bid price for the land use rights of the relevant Land Parcel, which was determined and submitted by the Group after taking into account, among other matters, the minimum bidding price of the relevant Land Parcel, the prevailing market price of land of similar nature in Qianxi County, Tangshan City in Hebei Province and the future development potential of the relevant Land Parcel.

With the support of the relevant government authorities, the Group has been one of the major iron and steel enterprises in Qianxi County, Tangshan City in Hebei Province for over a decade. Since 2006, there have been ongoing discussions between the relevant government authorities of Qianxi County and the Group over initiatives and policies supporting the Group in land acquisition and business development. In view of the continued commitment of the Group to the development of Qianxi County and the roll-out of government policies to support the growth of leading local enterprises, the relevant government authorities of Qianxi County and the Company are in the course of discussions over the future refund to the Company of part of the total consideration for the 2023 Acquisition based on the difference between the historical price and the current bidding price of the relevant Land Parcels. As of the date of this announcement, no definitive arrangement has been agreed between the Company and the relevant authorities in this regard.

In light of the above, the Directors believe that the terms of the Bid-Winning Confirmation Letters and the Assignment Contract are fair and reasonable and the Acquisitions will be in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

The Company and the Group

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.

Relevant Subsidiaries

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

Hebei Jinxi New Material Technology Co., Ltd.* (河北津西新材料科技有限公司) 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 new material technology and building engineering design service.

Hebei Jinxi Iron and Steel Group Heavy Industry Science and Technology Co., Ltd.* (河北津西鋼鐵集團重工科技有限公司) 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 casting products and equipment maintenance.

The Vendor and the Auctioneer

The Qianxi Land Bureau is a PRC governmental body in charge of the administration of land resources in Qianxi County, Tangshan City, Hebei Province, the PRC and the enforcement of relevant laws and regulations. The Auctioneer is a company incorporated in the PRC with limited liability. It is principally engaged in administering auctions. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Qianxi Land Bureau, the Auctioneer and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 14.22 of the Listing Rules, the 2022 Acquisition and the 2023 Acquisition shall be aggregated as they were entered into within a 12-month period. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the total Deposit forfeitable under the Bid-Winning Confirmation Letters in relation to the 2023 Acquisition alone and, when aggregated with the consideration of 2022 Acquisition, exceeds 5% but is less than 25%, the entering into of the Bid-Winning Confirmation Letters by the Relevant Subsidiaries constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As soon as possible after the Relevant Subsidiaries enter into the assignment contracts with the Vendor in respect of the 2023 Acquisition, the Company will publish a further announcement which will contain, among other things, principal terms of the assignment contracts.

DEFINITIONS

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

“2022 Acquisition”	the acquisition of the land use rights of the 2022 Land Parcel pursuant to the Assignment Contract
“2023 Acquisition”	the proposed acquisition of the land use rights of the 2023 Land Parcel pursuant to the Bid-Winning Confirmations

“2022 Land Parcel”	1 parcel of land situated at West District of Economic Development Zone, Qianxi County, Tangshan City, Hebei Province, the PRC, with a total site area of approximately 80,010 square meters
“2023 Land Parcel”	8 parcels of land situated at West District of Economic Development Zone, Qianxi County, Tangshan City, Hebei Province, the PRC, with a total site area of approximately 2,102,476 square meters
“Acquisitions”	the 2022 Acquisition and the 2023 Acquisition
“Assignment Contract”	the contract for state-owned construction land use right assignment* (國有建設用地使用權出讓合同) entered into between Jinxi Limited and the Vendor in respect of the 2022 Acquisition dated 8 September 2022
“Auctioneer”	Hebei Runhe Auctioneers Company Limited* (河北潤和拍賣有限公司)
“Bid-Winning Confirmation Letters”	the bid-winning confirmation letters entered into between the Relevant Subsidiaries and the Auctioneer in respect of the 2023 Acquisition dated 22 March 2023
“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
“Deposit”	RMB642 million paid by the Relevant Subsidiaries to participate in the auction, at which the Relevant Subsidiaries were the preferred bidders for the land use rights of the 2023 Land Parcel
“Director(s)”	directors(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“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

“Land Parcel(s)”	the 2022 Land Parcel and/or the 2023 Land Parcel
“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 PRC and Taiwan
“Qianxi Land Bureau” or “Vendor”	Natural Resources and Planning Bureau of Qianxi County* (遷西縣自然資源和規劃局)
“Relevant Subsidiaries”	Jinxi Limited, Hebei Jinxi New Material Technology Co., Ltd.* (河北津西新材料科技有限公司) and Hebei Jinxi Iron and Steel Group Heavy Industry Science and Technology Co., Ltd.* (河北津西鋼鐵集團重工科技有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 22 March 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*