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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 REGARDING  
PROVISION OF FINANCIAL ASSISTANCE IN RELATION  
TO INCREASE IN PRODUCTION CAPACITY OF GROUP**

On 11 November 2009, Jinxi Limited, a 97.6% indirectly owned subsidiary of the Company, and Tangshan Jinxi Group entered into the Loan Agreement pursuant to which Jinxi Limited agreed to make available a loan in the maximum amount of RMB480 million to Tangshan Jinxi Group for a period of 3 months at an interest rate to be determined with reference to the interest rate charged by the People's Bank of China for loans of a similar duration. The purpose of the Loan Agreement was primarily to enable Tangshan Jinxi Group to carry out its acquisition of Jinxi Wan Tong and facilitate Jinxi Wan Tong's purchase and commissioning of certain steel-manufacturing production facilities and equipment, which subsequently has been leased to Jinxi Limited and resulted in an increase in the Group's production capacity. Jinxi Limited and Tangshan Jinxi Group are currently engaged in negotiations to sign a supplemental loan agreement to replace the Loan Agreement which expired on 10 February 2010.

As the relevant percentage ratios exceed 5% but is less than 25%, the Loan Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement obligations under Chapter 14 of the Listing Rules. At the time the Loan Agreement was entered into, the Company had then been advised that Rule 13.13 (rather than Chapter 14) of the Listing Rules was applicable on the basis that Rule 13.13 had set a disclosure threshold that applied specifically to advances to an entity. As the Loan Agreement was an advance to an entity but did not exceed the 8% threshold under the assets ratio test that triggered a disclosure under Rule 13.13, the Company was then advised that it was not required to report and announce the Loan Agreement in accordance with Chapter 14 of the Listing Rules at that time.

The Company will be more cautious and in the event of doubt, will promptly seek professional advice in the future.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tangshan Jinxi Group and its ultimate beneficial owner(s) are not connected persons of the Company according to the Listing Rules.

The Board considers that the terms of the Loan Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INTRODUCTION**

On 11 November 2009, Jinxi Limited, a 97.6% indirectly owned subsidiary of the Company, and Tangshan Jinxi Group entered into the Loan Agreement pursuant to which Jinxi Limited agreed to make available a loan in the maximum amount of RMB480 million to Tangshan Jinxi Group for a period of 3 months at an interest rate to be determined with reference to the interest rate charged by the People's Bank of China for loans of a similar duration. The purpose of the Loan Agreement was primarily to enable Tangshan Jinxi Group to carry out its acquisition of Jinxi Wan Tong and facilitate Jinxi Wan Tong's purchase and commissioning of certain steel-manufacturing production facilities and equipment, which subsequently has been leased to Jinxi Limited and resulted in an increase in the Group's production capacity. Jinxi Limited and Tangshan Jinxi Group are currently engaged in negotiations to sign a supplemental loan agreement to replace the Loan Agreement which expired on 10 February 2010.

## **PRINCIPAL TERMS OF THE LOAN AGREEMENT**

### **Date of the Agreement**

11 November 2009

### **Parties to the Agreement**

Borrower: Tangshan Jinxi Group  
Lender: Jinxi Limited

### **Amount and duration of the loan**

The maximum aggregate amount of the loan is RMB480 million. The loan matured on 10 February 2010. The Borrower will use the loan to finance its acquisition of the 100% equity interests of Jinxi Wan Tong from Jinxi Limited and to purchase and commission certain steel-manufacturing production facilities and equipment.

### **Interest on the loan**

The loan interest rate was determined with reference to the interest rate charged by the People's Bank of China for loans of a similar duration.

## **Security for the loan**

The loan was secured by the charge of the equity interests in Jinxi Wan Tong of Tangshan Jinxi Group and the steel-manufacturing production facilities of Jinxi Wan Tong constructed using the loan amount by Tangshan Jinxi Group.

As at 29 April 2010, the loan provided to Tangshan Jinxi Group amounted to RMB644 million. This increase in the amount loaned to Tangshan Jinxi Group was to fund the ongoing development of the production facilities and equipment purchases by Jinxi Wan Tong. Jinxi Limited and Tangshan Jinxi Group are currently engaged in negotiations to sign a supplemental loan agreement which would, among others, replace the Loan Agreement and increase the maximum loan amount and extend the loan duration to facilitate the ongoing development of the production facilities and equipment purchases by Jinxi Wan Tong.

## **REASONS AND BENEFITS FOR THE PROVISION OF THE LOAN**

### **Reasons**

Pursuant to an equity transfer agreement dated 2 November 2009, Jinxi Limited transferred 100% of its equity in Jinxi Wan Tong to Tangshan Jinxi Group, at a consideration of RMB100 million. This consideration was determined based on the existing assets of the Jinxi Wan Tong at the time after arm's length negotiation between Jinxi Limited and Tangshan Jinxi Group on normal commercial terms.

The purpose of the Loan Agreement was primarily to enable Tangshan Jinxi Group to carry out its acquisition of Jinxi Wan Tong and facilitate Jinxi Wan Tong's purchase and commissioning of certain steel-manufacturing production facilities and equipment, which subsequently has been leased to Jinxi Limited and resulted in an increase in the Group's production capacity. The amount of the loan was also determined after taking into account the cash flow requirements and working capital requirements of production capacity expansion.

The loan will continue to be used by Tangshan Jinxi Group to finance the cash flow requirement and working capital requirements improvements to the production facilities of Jinxi Wan Tong.

Pursuant to a revised lease agreement dated 29 April 2010 between Jinxi Wan Tong and Jinxi Limited, which supersedes a lease agreement dated 5 December 2009, Jinxi Limited agreed to lease the production facilities from Jinxi Wan Tong for a period of one year commencing on 5 December 2009 and ending on 4 December 2010. The lease agreement is renewable by Jinxi Limited annually on the same terms. The annual rent payable is RMB36 million, payable in quarterly installments of RMB9 million.

The terms of the Loan Agreement was arrived at after arm's length negotiation between Jinxi Limited and Tangshan Jinxi Group. The Board, including the independent non-executive Directors, considers the terms of the Loan Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Benefits**

The Company believes that the arrangements described above provides the Group with the benefits to enjoy the expanded production capacity of Jinxi Wan Tong without assuming or bearing the risks associated with the ownership and development the production facilities of Jinxi Wan Tong.

As a result of the lease agreement, Jinxi Limited is able to gain access to the production facilities of Jinxi Wan Tong which increases the Group's production capacity by 2 million tonnes of crude steel per annum, elevating the Group's total production capacity to a total of 11.0 million tonnes of crude steel per annum, for a moderate rental amount.

## **INFORMATION OF JINXI LIMITED AND THE GROUP**

Jinxi Limited is a limited company established in the PRC and is a 97.6% indirectly owned subsidiary of the Company. Jinxi Limited and the Group is principally engaged in the manufacturing and sales of steel products.

## **INFORMATION OF TANGSHAN JINXI GROUP**

Tangshan Jinxi Group is a limited company established in the PRC. It is principally engaged in investment holding and is a minority shareholder of Jinxi Limited in which it holds approximately 2.2% of the equity interests of Jinxi Limited.

## **IMPLICATION UNDER THE LISTING RULES**

As the relevant percentage ratios exceed 5% but is less than 25%, the Loan Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement obligations under Chapter 14 of the Listing Rules. At the time the Loan Agreement was entered into, the Company had then been advised that Rule 13.13 (rather than Chapter 14) of the Listing Rules was applicable on the basis that Rule 13.13 had set a disclosure threshold that applied specifically to advances to an entity. As the Loan Agreement was an advance to an entity but did not exceed the 8% threshold under the assets ratio test that triggered a disclosure under Rule 13.13, the Company was then advised that it was not required to report and announce the Loan Agreement in accordance with Chapter 14 of the Listing Rules at that time.

The Company will be more cautious and in the event of doubt, will promptly seek professional advice in the future.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tangshan Jinxi Group and its ultimate beneficial owner(s) are not connected persons of the Company according to the Listing Rules.

The Board considers that the terms of the Loan Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **DEFINITIONS**

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 the Bermuda and the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“Jinxi Limited”	Hebei Jinxi Iron and Steel Group Company Limited, a company established in the PRC and a 97.6% indirectly owned subsidiary of the Company
“Jinxi Wan Tong”	Qianxi County Jinxi Wan Tong Ductile Iron Pipe Co., Ltd., a company established in the PRC and a wholly owned subsidiary of Tangshan Jinxi Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement entered into between Jinxi Limited and Tangshan Jinxi Group dated 11 November 2009
“PRC”	the People’s Republic of China
“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
“Tangshan Jinxi Group”	Tangshan City Jinxi Iron and Steel Group Co., Ltd., a company established in the PRC and a minority shareholder of Jinxi Limited and holding approximately 2.2% of equity interest of Jinxi Limited

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

Hong Kong, 30 April 2010

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Liu Lei, Mr. Shen Xiaoling, Mr. Zhu Hao and Mr. Muktesh Mukherjee being the Executive Directors, Mr. Ondra Otradovec and Mr. Jean-Paul Georges Schuler being the Non-Executive Directors and Mr. Gao Qingju, Mr. Yu Tung Ho and Mr. Wong Man Chung, Francis 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 purposes only*