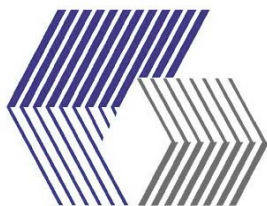


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**CHINA ORIENTAL GROUP COMPANY LIMITED**

**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 THE INCREASE IN PRODUCTION CAPACITY  
OF THE GROUP**

Reference is made to the announcement of the Company dated 30 April 2010 regarding the provision of financial assistance to Tangshan Jinxi Group in relation to increase in production capacity of the Group. On 19 May 2010, Jinxi Limited, a 97.6% indirectly owned subsidiary of the Company, and Tangshan Jinxi Group entered into the Supplemental Loan Agreement which was supplemented to the Original Loan Agreement to extend the loan period and increase the loan amount. Pursuant to the Supplemental Loan Agreement, Jinxi Limited agreed to make available a loan in the maximum amount of RMB1,100 million to Tangshan Jinxi Group for a period up to 31 December 2010 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. Save for the maturity date and the loan amount, all main terms and conditions of the Supplemental Loan Agreement are the same as the Original Loan Agreement.

As the relevant percentage ratios exceed 5% but is less than 25%, the Supplemental 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.

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 Supplemental 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**

Reference is made to the announcement of the Company dated 30 April 2010 regarding the provision of financial assistance to Tangshan Jinxi Group in relation to the increase in production capacity of the Group. On 19 May 2010, Jinxi Limited, a 97.6% indirectly owned subsidiary of the Company, and Tangshan Jinxi Group entered into the Supplemental Loan Agreement which was supplemented to the Original Loan Agreement to extend the loan period and increase the loan amount. Pursuant to the Supplemental Loan Agreement, Jinxi Limited agreed to make available a loan in the maximum amount of RMB1,100 million to Tangshan Jinxi Group for a period up to 31 December 2010 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. Save for the maturity date and the loan amount, all main terms and conditions of the Supplemental Loan Agreement are the same as the Original Loan Agreement.

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

### **Date of the Agreement**

19 May 2010

### **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 RMB1,100 million. The loan will mature on 31 December 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.

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

### **Reasons**

The loan will continue to be used by Tangshan Jinxi Group to finance the cash flow requirements and working capital requirements for improvements to the production facilities of Jinxi Wan Tong. Currently, the Group has leased the production facilities of Jinxi Wan Tong for production of steel products at a consideration of RMB36 million per annum. The amount of the loan was also determined after taking into account the cash flow requirements and working capital requirements of production capacity expansion of Jinxi Wan Tong.

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 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 Supplemental 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.

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 Supplemental 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
“Original 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
“Supplemental Loan Agreement	the loan agreement entered into between Jinxi Limited and Tangshan Jinxi Group dated 19 May 2010 to supplement the Original Loan Agreement

“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, 19 May 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*