

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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)**

- (1) CONTINUING CONNECTED TRANSACTIONS BETWEEN  
JINXI IRON AND STEEL AND JIN LAN GROUP**
- (2) CONTINUING CONNECTED TRANSACTIONS BETWEEN  
JINXI SECTION STEEL AND JIN LAN GROUP**

**(1) CONTINUING CONNECTED TRANSACTIONS BETWEEN  
JINXI IRON AND STEEL AND JIN LAN GROUP**

On 18 June 2010, Jinxi Iron and Steel, an indirect non-wholly owned subsidiary of the Company, entered into the Iron and Steel Framework Agreement with Jin Lan Group, a connected person of the Group for the sale of steel products by Jinxi Iron and Steel to Jin Lan Group for a period of approximately two years and seven months from 18 June 2010 to 31 December 2012.

**(2) CONTINUING CONNECTED TRANSACTIONS BETWEEN  
JINXI SECTION STEEL AND JIN LAN GROUP**

On 18 June 2010, Jinxi Section Steel, an indirect non-wholly owned subsidiary of the Company, entered into the Section Steel Framework Agreement with Jin Lan Group, a connected person of the Group for the sale of steel products by Jinxi Section Steel to Jin Lan Group for a period of approximately two years and seven months from 18 June 2010 to 31 December 2012.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jin Lan Group and its ultimate beneficial owner(s) are connected persons of the Company according to the Listing Rules. Accordingly, each of the Framework Agreements

constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules respectively.

Reference is also made to the announcement of the Company dated 10 March 2010 related to the continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports. As Jin Lan Group and Jin Lan Imports and Exports are associates of Mr. Zhou and Mr. Zhou is a connected person of the Group, the continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports are required to be aggregated with the continuing connected transactions pursuant to the Framework Agreements under Rule 14A.25 of the Listing Rules.

As the total annual caps of all the aforesaid continuing connected transactions with Mr. Zhou and its associate(s), when aggregated as required under Rule 14A.25 of the Listing Rules, are more than 1% but less than 5% of the percentage ratios (as defined in the Listing Rules) of the Group, the continuing connected transactions contemplated thereunder are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules, but are exempted from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

No Director has a material interest in the continuing connected transactions under the Framework Agreements and no Director has abstained from voting on the board resolution to approve the Framework agreements and the transactions contemplated thereunder.

The Board (including independent non-executive Directors) is of the view that the terms and conditions of the Framework Agreements thereof are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

## **(1) CONTINUING CONNECTED TRANSACTIONS BETWEEN JINXI IRON AND STEEL AND JIN LAN GROUP**

On 18 June 2010, Jinxi Iron and Steel, an indirect non-wholly owned subsidiary of the Company, entered into the Iron and Steel Framework Agreement with Jin Lan Group, a connected person of the Group for the sale of steel products by Jinxi Iron and Steel to Jin Lan Group for a period of approximately two years and seven months from 18 June 2010 to 31 December 2012.

### **PRINCIPAL TERMS OF THE IRON AND STEEL FRAMEWORK AGREEMENT**

**Date of agreement**

18 June 2010

**Parties**

The Buyer : Jin Lan Group

The Supplier : Jinxi Iron and Steel

**Period**

18 June 2010 to 31 December 2012

**Description**

Pursuant to the Iron and Steel Framework Agreement, Jin Lan Group has agreed to purchase, and Jinxi Iron and Steel has agreed to sell, steel products of Jinxi Iron and Steel. Steel products will be sold to Jin Lan Group at prices no less than the market prices or the prices to other customers (with comparable quality and condition) and will be settled in cash by Jin Lan Group upon delivery.

**Iron and Steel Annual Cap for the continuing connected transactions under the Iron and Steel Framework Agreement**

With reference to the future possible sale quantity to Jin Lan Group and the market prices of the steel products, the Iron and Steel Annual Cap is determined at RMB70 million, RMB70 million and RMB70 million for each of the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

**(2) CONTINUING CONNECTED TRANSACTIONS BETWEEN JINXI SECTION STEEL AND JIN LAN GROUP**

On 18 June 2010, Jinxi Section Steel, an indirect non-wholly owned subsidiary of the Company, entered into the Section Steel Framework Agreement with Jin Lan Group, a connected person of the Group for the sale of steel products by Jinxi Section Steel to Jin Lan Group for a period of approximately two years and seven months from 18 June 2010 to 31 December 2012.

**PRINCIPAL TERMS OF THE SECTION STEEL FRAMEWORK AGREEMENT****Date of agreement**

18 June 2010

**Parties**

The Buyer : Jin Lan Group

The Supplier : Jinxi Section Steel

**Period**

18 June 2010 to 31 December 2012

**Description**

Pursuant to the Section Steel Framework Agreement, Jin Lan Group has agreed to purchase, and Jinxi Section Steel has agreed to sell, steel products of Jinxi Section Steel. Steel products will be sold at prices no less than the market prices or the prices to other customers (with comparable quality and condition) and will be settled in cash by Jin Lan Group upon delivery.

**Section Steel Annual Cap for the continuing connected transactions under the Section Steel Framework Agreement**

With reference to the historical and future possible sale quantity to Jin Lan Group and the market prices of the steel products, the Section Steel Annual Cap is determined at RMB100 million, RMB100 million and RMB100 million for each of the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

**REASONS AND BENEFITS FOR ENTERING INTO THE FRAMEWORK AGREEMENTS**

The supply of steel products to Jin Lan Group will generally expand sale avenues for and increase sale proceeds of Jinxi Iron and Steel and Jinxi Section Steel. The unit price of steel products is determined with reference to the market prices of comparable products. Steel products are sold to Jin Lan Group at prices no less than the market prices or the prices to other customers (with comparable quality and conditions).

In the light of the aforesaid, the Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Framework Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

**INFORMATION OF JINXI IRON AND STEEL, JINXI SECTION STEEL AND THE GROUP**

Jinxi Iron and Steel is a limited company established in the PRC and is a 97.6% indirectly owned subsidiary of the Company. Jinxi Section Steel is a limited company established in the PRC

and is a 80% owned subsidiary of Jinxi Iron and Steel. Jinxi Iron and Steel, Jinxi Section Steel and the Group are principally engaged in the manufacturing and sales of steel products.

## **INFORMATION OF JIN LAN GROUP**

Jin Lan Group is a limited company established in the PRC and is a wholly owned company by Mr. Zhou. Mr. Zhou is a connected person of the Group by currently holding 18.5% of Jinxi Jinlan, an indirect non-wholly owned subsidiary of the Company. As a result, Jin Lin Group is an associate of Mr. Zhou and is thus a connected person of the Group. The supply of steel products by Jinxi Iron and Steel and Jinxi Section Steel to Jin Lan Group under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules. The principal activity of Jin Lan Group is the production and sale of aluminium and steel products.

## **LISTING RULES' IMPLICATIONS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jin Lan Group and its ultimate beneficial owner(s) are connected persons of the Company according to the Listing Rules. Accordingly, each of the Framework Agreements constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules respectively.

Reference is also made to the announcement of the Company dated 10 March 2010 related to the continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports. According to the announcement dated 10 March 2010, Jinxi Jinlan, an indirect non-wholly owned subsidiary of the Company, will supply steel products to Jin Lan Imports and Exports in the annual cap of RMB90 million, RMB 110 million and RMB120 million for each of the year ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. Since Ms. Zhou, Mr. Zhou's daughter, is holding 80% equity interests in Jin Lan Imports and Exports and Mr. Zhou is a connected person, Jin Lan Imports and Exports is an associate of Mr. Zhou and is thus a connected person of the Group. The supply of steel products by Jinxi Jinlan to Jin Lan Imports and Exports constitutes continuing connected transactions of the Company under the Listing Rules. The Company had complied with Rule 14A.45 to 14A.47 of the Listing Rules and reported and announced the aforesaid continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports on 10 March 2010.

As Jin Lan Group and Jin Lan Imports and Exports are associates of Mr. Zhou and Mr. Zhou is a connected person of the Group, the continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports are required to be aggregated with the continuing connected transactions pursuant to the Framework Agreements under Rule 14A.25 of the Listing Rules.

Other than the aforesaid continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports, the Group did not have any other prior transactions with Mr. Zhou and his associate(s) which required to be aggregated with the continuing connected transactions pursuant to the Framework Agreements under Rule 14A.25 of the Listing Rules.

Given that the annual cap for the continuing connected transactions between Jinxi Jinlan and Jin Lan Imports and Exports amounted to RMB90 million, RMB110 million and RMB120 million for each of the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively, the total annual caps of all the aforesaid continuing connected transactions with Mr. Zhou and its associate(s), when aggregated as required under Rule 14A.25 of the Listing Rules, amounted to RMB260 million, RMB280 million and RMB290 million respectively, which are more than 1% but less than 5% of the percentage ratios (as defined in the Listing Rules) of the Group. Hence, the continuing connected transactions contemplated thereunder are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules, but are exempted from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

No Director has a material interest in the continuing connected transactions under the Framework Agreements and no Director has abstained from voting on the board resolution to approve the Framework Agreements and the transactions contemplated thereunder.

The Board (including independent non-executive Directors) is of the view that the terms and conditions of the Framework Agreements thereof are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## **Definitions**

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

<b>“associate”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Board”</b>	the board of Directors of the Company

<b>“Company”</b>	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. Its principal activities are holding investments in iron and steel manufacturing companies in the People’s Republic of China
<b>“connected person”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Framework Agreements”</b>	the Iron and Steel Framework Agreement and the Section Steel Framework Agreement
<b>“Group”</b>	the Company and its subsidiaries
<b>“Iron and Steel Annual Cap”</b>	the maximum aggregate annual value (excluding value added tax and import duty, if applicable) of the continuing connected transactions between Jinxi Iron and Steel and Jin Lan Group in respect of the supply of the steel products
<b>“Iron and Steel Framework Agreement”</b>	the framework agreement dated 18 June 2010 entered into between Jinxi Iron and Steel and Jin Lan Group in respect of the supply of the steel products
<b>“Jin Lan Group”</b>	佛山金蘭集團有限公司(Foshan Jin Lan Group Co., Ltd.*), a company established in the PRC. Mr. Zhou is a controlling shareholder and a director of Jin Lan Group. The principal activity of Jin Lan Group is the production and sale of aluminum and steel products
<b>“Jin Lan Imports &amp; Exports”</b>	佛山金蘭進出口有限公司(Foshan Jin Lan Imports & Exports Co., Ltd.*), a company established in the PRC. Ms. Zhou is a controlling shareholder of Jin Lan Imports and

Exports. The principal activities of Jin Lan Imports and Exports are the trading, import and export of goods and technology

**“Jinxi Iron and Steel”**

河北津西鋼鐵集團股份有限公司(Hebei Jinxi Iron and Steel Group Company Limited\*) a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. Its principal activity is the production and sales of steel products

**“Jinxi Jinlan”**

佛山津西金蘭冷軋板有限公司(Foshan Jinxi Jinlan Cold Rolled Sheet Company Limited\*), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. Mr. Zhou is a substantial shareholder and a director of Jinxi Jinlan. The principal activity of Jinxi Jinlan is the production and sale of steel products

**Jinxi Section Steel**

河北津西型鋼有限公司 (Hebei Jinxi Section Steel Company Limited\*) a company incorporated in China with limited liability and an indirect non-wholly owned subsidiary of the Company. Its principal activity is the production and sales of small steel products

**“Listing Rules”**

the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

**“Mr. Zhou”**

Mr. Zhou Weijie (周偉杰先生), a director and shareholder of Jinxi Jinlan and Jin Lan Group

**“Ms. Zhou”**

Ms. Zhou Bao Juan (周寶娟女士), the daughter of Mr. Zhou and a holder of 80% of the equity interest in Jin Lan Imports & Exports

**“PRC”**

the People’s Republic of China

<b>“RMB”</b>	Renminbi, the lawful currency of the People’s Republic of China
<b>“Section Steel Annual Cap”</b>	the maximum aggregate annual value (excluding value added tax and import duty, if applicable) of the continuing connected transactions between Jinxi Section Steel and Jin Lan Group in respect of the supply of the steel products
<b>“Section Steel Framework Agreement”</b>	the framework agreement dated 18 June 2010 entered into between Jinxi Section Steel and Jin Lan Group in respect of the supply of the steel products
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.1 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the Shares
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiaries”</b>	has the meaning ascribed to it under the Listing Rules

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

Hong Kong, 18 June 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*