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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)**

**CONTINUING CONNECTED TRANSACTIONS  
BETWEEN JINXI IRON AND STEEL  
AND QIANXI IRON ORE MILL**

On 18 June 2010, Jinxi Iron and Steel, a 97.6% indirectly owned subsidiary of the Company, entered into the Iron Ore Framework Agreement with Qianxi Iron Ore Mill, a connected person of the Group, in which Qianxi Iron Ore Mill agreed to supply iron ore to the Group at prevailing market prices 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, Qianxi Iron Ore Mill and its ultimate beneficial owner(s) are connected persons of the Company according to the Listing Rules. Accordingly, the Iron Ore Framework Agreement constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules. As the Annual Cap is more than 1% but less than 5% of the relevant ratios (as defined in the Listing Rules) of the Group, the Iron Ore Framework Agreement is 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 is 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 Iron Ore Framework Agreement and no Director has abstained from voting on the board resolution to approve the Iron Ore Framework Agreement and the transactions contemplated thereunder.

The Board (including independent non-executive Directors) is of the view that the terms and conditions of the Iron Ore Framework Agreement 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.

On 18 June 2010, Jinxi Iron and Steel, a 97.6% indirectly non-wholly owned subsidiary of the Company, entered into the Iron Ore Framework Agreement with Qianxi Iron Ore Mill, a connected person of the Group, in which Qianxi Iron Ore Mill agreed to supply iron ore to the Group at prevailing market prices for a period of approximately two years and seven months from 18 June 2010 to 31 December 2012.

## **PRINCIPAL TERMS OF THE IRON ORE FRAMEWORK AGREEMENT**

### **Date**

18 June 2010

### **Parties**

The Buyer : Jinxi Iron and Steel

The Supplier : Qianxi Iron Ore Mill

### **Description**

Pursuant to the Iron Ore Framework Agreement, Jinxi Iron and Steel has agreed to purchase, and Qianxi Iron Ore Mill has agreed to supply iron ore to the Group. The prices will be made reference to the prevailing market prices of the products at the relevant time and on normal commercial terms.

### **Term**

18 June 2010 to 31 December 2012

### **Annual Cap for the continuing connected transactions under the Iron Ore Framework Agreement**

With reference to (1) the expected year-on-year iron and steel production capability of the Group; (2) the existing unit prices of iron ore offered to the Group by independent suppliers; and (3) the expected fluctuation in the unit prices of iron ore, the Annual Cap is determined at RMB110 million, RMB140 million and RMB140 million for each of the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

### **Reasons and benefit for entering into the Iron Ore Framework Agreement**

The principle activity of the Group and Jinxi Iron and Steel is manufacture and sale of iron and steel products. The iron ore is one of the major raw materials for production of iron and steel products. The Group sources iron ore from local and global suppliers. Currently, the world demand for relevant raw materials has been high due to the increasing demand in the PRC. By entering into Iron Ore Framework Agreement, the Group can ensure a steady supply of raw

materials which is crucial for the Group's existing production and business expansion needs. The purchase price of iron ore will be made reference to the prevailing market prices of the products at the relevant time and on normal commercial terms.

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 Iron Ore 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 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 Iron and Steel and the Group is principally engaged in the manufacturing and sales of steel products.

## **INFORMATION OF QIANXI IRON ORE MILL**

Qianxi Iron Ore Mill is a company established in the PRC and is currently 30% owned by Mr. Wang. Mr. Wang is a connected person of the Group by currently holding 40% of Boyuan Real Estate, an indirect non-wholly owned subsidiary of the Company. As a result, Qianxi Iron Ore Mill is an associate of Mr. Wang and is thus a connected person of the Group. The supply of iron ore by Qianxi Iron Ore Mill to the Group under the Iron Ore Framework Agreement constitutes continuing connected transactions of the Company under the Listing Rules. The principal activity of Qianxi Iron Ore Mill is the supply and sale of iron ore.

## **LISTING RULES' IMPLICATIONS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Qianxi Iron Ore Mill and its ultimate beneficial owner(s) are connected persons of the Company according to the Listing Rules. Accordingly, the Iron Ore Framework Agreement constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules.

As the Annual Cap is more than 1% but less than 5% of the relevant ratios (as defined in the Listing Rules) of the Group, the Iron Ore Framework Agreement is 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 is 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 Iron Ore Framework Agreement and no Director has abstained from voting on the board resolution to approve the Iron Ore Framework Agreement and the transactions contemplated thereunder.

The Board (including independent non-executive Directors) is of the view that the terms and conditions of the Iron Ore Framework Agreement 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>“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 Qianxi Iron Ore Mill in respect of the supply of the iron ore
<b>“associate”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Board”</b>	the board of Directors of the Company
<b>“Boyuan Real Estate”</b>	河北津西博遠房地產開發有限公司 (Hebei Jinxi Boyuan Real Estate Co., Ltd.*), a company established in the PRC with limited liability and a 60% owned subsidiary of Jinxi Iron and Steel. Its principal activity is development and sale of properties

<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>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Iron Ore Framework Agreements”</b>	the framework agreement dated 18 June 2010 entered into between Jinxi Iron and Steel and Qianxi Iron Ore Mill in respect of the supply of iron ore
<b>“Jinxi Iron and Steel”</b>	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 a 97.6% indirectly owned subsidiary of the Company. Its principal activity is the production and sales of steel products
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Mr. Wang”</b>	王志紅先生 (Mr. Wang Zhihong*), a director and shareholder of Boyuan Real Estate
<b>“PRC”</b>	the People’s Republic of China
<b>“Qianxi Iron Ore Mill”</b>	遷西縣漢兒庄鄉王志紅鐵選廠(Qianxi Wang’s Iron Ore Mill*), a company established in the PRC and a 30% owned company by Mr. Wang. Its principal activity is the supply and sale of iron ore

“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	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*