

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 TRANSACTIONS
REGARDING
PREPAYMENTS FOR PURCHASE OF ASSETS
AND
LETTER OF INTENT IN RELATION TO INTENDED ACQUISITION
OF ASSETS

(1) Prepayments for purchase of assets

Reference is made to the announcements of the Company dated 31 December 2008, 20 February 2009, 25 March 2009 and 27 April 2009 pursuant to which disclosure were made, inter alia, that Zhengda has entered into Assets Acquisition Agreements with Hengfeng to acquire from Hengfeng the first and second lots of fixed assets relating to the iron and steel production at an aggregate amount of approximately RMB596,424,277.

After the acquisition of the first and second lots of fixed assets from Hengfeng, Zhengda started considering to acquire the Third Lot of Fixed Assets from Hengfeng. As the major parts of the Third Lot of Fixed Assets were pledged by Hengfeng to its Major Creditor, the proposed acquisition was withheld. Zhengda and Hengfeng instead entered into lease agreements for leasing of the Third Lot of Fixed Assets by Hengfeng to Zhengda since 1 May 2009 and the lease thereof is still currently subsisting.

Apart from leasing the Third Lot of Fixed Assets from Hengfeng, Zhengda made various advances to Hengfeng since August 2009 and accounted as Prepayments for the proposed acquisition of the Third Lot of Fixed Assets. As at the date of this announcement, the Prepayments made to Hengfeng amounted to approximately RMB357 million.

(2) Letter of Intent in relation to the Intended Acquisition of the Third Lot of Fixed Assets

In May 2011, Hengfeng and the Major Creditor reached a settlement agreement pursuant to which, inter alia, the pledge of the Third Lot of Fixed Assets was released and terminated. Hengfeng is now in the process of negotiating with the Remaining Creditors for settlement of all the outstanding debts due to them.

On 9 November 2011, Zhengda and Hengfeng entered into a non-legally binding Letter of Intent in relation to the Intended Acquisition of the Third Lot of Fixed Assets. The Letter of Intent will either expire on 30 June 2012 or on the date of the signing of a formal agreement by Zhengda and Hengfeng, whichever is earlier; or on any other date to be mutually agreed by both parties.

Implication under the Listing Rules

As the relevant percentage ratios in respect of the Prepayments exceed 5% but are less than 25% (and the assets ratios not exceeding 8%), the Prepayments constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Intended Acquisition, if materialised, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under Chapter 14 of the Listing Rules as and when necessary.

The Letter of Intent is non-legally binding and the Intended Acquisition is subject to entering into of the formal agreement between Zhengda and Hengfeng. As the Intended Acquisition may or may not be consummated, Shareholders and potential investors should exercise caution when dealing in the Shares.

1. Prepayments for purchase of assets

Reference is made to the announcements of the Company dated 31 December 2008, 20 February 2009, 25 March 2009 and 27 April 2009 pursuant to which disclosure were made, inter alia, that Zhengda has entered into Assets Acquisition Agreements with Hengfeng to acquire from Hengfeng the first and second fixed assets relating to the iron and steel production at an aggregate amount of approximately RMB596,424,277.

After the acquisition of the first and second lots of fixed assets from Hengfeng, Zhengda started considering to acquire the third lot of fixed assets from Hengfeng (the "**Third Lot of Fixed Assets**"). As the major parts of the Third Lot of Fixed Assets were pledged by Hengfeng to its

major creditor, a PRC-established company (the “**Major Creditor**”), the proposed acquisition was withheld. Zhengda and Hengfeng instead entered into lease agreements for leasing of the Third Lot of Fixed Assets by Hengfeng to Zhengda since 1 May 2009 and the lease thereof is still currently subsisting.

Apart from leasing the Third Lot of Fixed Assets from Hengfeng, Zhengda made various advances to Hengfeng since August 2009 and accounted as prepayments for the proposed acquisition of the Third Lot of Fixed Assets (the “**Prepayments**”). As at the date of this announcement, the Prepayments made to Hengfeng amounted to approximately RMB357 million.

2. Letter of Intent in relation to the Intended Acquisition of the Third Lot of Fixed Assets

In May 2011, Hengfeng and the Major Creditor reached a settlement agreement pursuant to which, inter alia, the pledge of the Third Lot of Fixed Assets was released and terminated. Hengfeng is now in the process of negotiating with the remaining creditors (the “**Remaining Creditors**”) for settlement of all the outstanding debts due to them.

On 9 November 2011, Zhengda and Hengfeng entered into a non-legally binding letter of intent (the “**Letter of Intent**”) in relation to an intended acquisition of the Third Lot of Fixed Assets (the “**Intended Acquisition**”). The Letter of Intent will either expire on 30 June 2012 or on the date of the signing of a formal agreement by Zhengda and Hengfeng, whichever is earlier (the “**Expiry Date**”). The Expiry Date can be extended to any other date to be mutually agreed by both parties.

The Letter of Intent

Date

9 November 2011

Parties

The Vendor : Hengfeng

The Purchaser : Zhengda

Principal Terms of the Letter of Intent

Target assets

The target assets are the Third Lot of Fixed Assets. They are located in Tangshan City of Hebei Province, the PRC and comprise of infrastructure, equipment and machinery for the production of

iron and steel products. The Third Lot of Fixed Assets are owned by Hengfeng and are currently leased by Hengfeng to Zhengda pursuant to lease agreements entered into by Zhengda and Hengfeng since 1 May 2009.

Consideration and Prepayments

The consideration for the acquisition of the Third Lot of Fixed Assets under the Intended Acquisition will be subject to further negotiations between Zhengda and Hengfeng. The Prepayments will form part of the consideration for the Intended Acquisition and will be taken as initial part payment by Zhengda to Hengfeng upon the signing of the formal agreement by the both parties. In the event that mutual agreement on the terms and conditions of the formal agreement regarding the Intended Acquisition is not reached by Zhengda and Hengfeng on or before the Expiry Date, Hengfeng or its ultimate beneficial owner shall return the entirety of the Prepayments to Zhengda within five days from the Expiry Date, or alternatively Zhengda will continue to lease the Third Lot of Fixed Assets from Hengfeng at a rental to be mutually agreed by both parties and the Prepayments will be used to offset the rental thereof.

Formal Agreement

Hengfeng undertakes it is only after Hengfeng has settled in full all the outstanding debts due to the Remaining Creditors, Zhengda and Hengfeng will start negotiations of the terms and conditions of the formal agreement.

Exclusivity

Pursuant to the Letter of Intent Zhengda has the exclusive right to acquire the Third Lot of Fixed Assets and Hengfeng has undertaken to Zhengda that it will not enter into negotiations or agreements to sell, dispose of or otherwise encumber the Third Lot of Fixed Assets to any other party before the Expiry Date.

Non-legally binding

The Letter of Intent is non-legally binding, save for the provisions relating to the exclusivity, the Prepayments and the Expiry Date.

Further Warranty and Undertaking of Hengfeng

Hengfeng warrants that it is the owner of and possesses the legal titles of the Third Lot of Fixed Assets. Hengfeng further undertakes to Zhengda that it will not create pledges, encumbrance, liens or otherwise over any or all of the Third Lot of Fixed Assets prior to the Expiry Date.

Default

If either Zhengda or Hengfeng is in breach of the terms or conditions of the Letter of Intent, the defaulting party shall indemnify in full the non-defaulting party for all losses and damages suffered arising therefrom within the prescribed time limit as determined by the non-defaulting party.

Reasons and Benefits for Acquiring the Third Lot of Fixed Assets

Since 1 May 2009, with the leasing of the Third Lot of Fixed Assets from Hengfeng for the production of steel products, Zhengda's operation with the Third Lot of Fixed Assets not only contributed profit to the Group, it also demonstrated that the Third Lot of Fixed Assets were in good working condition. In light of the fact that Hengfeng will adjust the rental of the leasing of the Third Lot of Fixed Assets in accordance with the market economy, as an attempt to stabilise the operating expenses, Zhengda hence entered into the Letter of Intent with Hengfeng to formalise its intention to acquire the Third Lot of Fixed Assets.

The Letter of Intent was determined after arm's length negotiation between Zhengda and Hengfeng. The Directors (including the independent non-executive Directors) are of the view that the terms of the Letter of Intent and the Intended Acquisition contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Information of Zhengda

Zhengda is an indirect non-wholly owned subsidiary of the Company and is principally engaged in the production of iron and steel products.

Information of Hengfeng

Hengfeng is a company established in the PRC and is principally engaged in the production of iron and steel products.

To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquires, Hengfeng and its ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules).

Implications under the Listing Rules

As the relevant percentage ratios in respect of the Prepayments exceed 5% but are less than 25% (and the assets ratios not exceeding 8%), the Prepayments constitutes a discloseable transaction for

the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Intended Acquisition, if materialised, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under Chapter 14 of the Listing Rules as and when necessary.

The Letter of Intent is non-legally binding and the Intended Acquisition is subject to entering into of the formal agreement between Zhengda and Hengfeng. As the Intended Acquisition may or may not be consummated, Shareholders and potential investors should exercise caution when dealing in the Shares.

Definitions

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

“Assets Acquisition Agreement”	sale and purchase agreements dated 24 March 2009 and 27 April 2009 entered into between Zhengda and Hengfeng in respect of acquisition of the assets as disclosed in the announcements of the Company dated 25 March 2009 and 27 April 2009 respectively
“Board”	the board of Directors
“Company”	China Oriental Group Company Limited, a company incorporated in 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
“Hengfeng”	Tangshan Fengrun Hengfeng Iron and Steel Company Limited* 唐山市豐潤區恒豐鋼鐵有限公司, formerly known as Tangshan Baotai Iron and Steel Group Xinyi Iron and Steel Company Limited* 唐山寶泰鋼鐵集團鑫益鋼鐵有限公司

“ Listing Rules ”	the Rules Governing the Listing of Securities on the Stock Exchange
“ PRC ”	the People’s Republic of China
“ RMB ”	Renminbi, the lawful currency of 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
“ Zhengda ”	Hebei Jinxi Iron and Steel Group Zhengda Iron and Steel Co., Ltd.* 河北津西鋼鐵集團正達鋼鐵有限公司

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

Hong Kong, 10 November 2011

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. Vijay Kumar Bhatnagar 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) and the Stock Exchange (www.hkexnews.hk).

**For identification purposes only*