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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)**

- 1. EXPIRATION OF THE LOAN AGREEMENT MADE BETWEEN JINXI LIMITED AND JINXI WAN TONG AND**
- 2. INTENDED ACQUISITION OF PART OF PLEDGED FIXED ASSETS BY JINXI LIMITED FROM JINXI WAN TONG**

**1. Expiration of the Loan Agreement made between Jinxi Limited and Jinxi Wan Tong**

Reference is made to the Announcement pursuant to which disclosure were made, inter alia, that Jinxi Limited has entered into the Loan Agreement with Jinxi Wan Tong. According to the Loan Agreement, Jinxi Limited agreed to make available the Loan to Jinxi Wan Tong at a maximum amount of RMB1,100 million for a term of twelve months and charge over the fixed assets of Jinxi Wan Tong was created in favour of Jinxi Limited as security for the Loan. Upon expiry of the Loan Agreement, all the amount of the Loan advanced by Jinxi Limited to Jinxi Wan Tong together with all the interest due and payable should be repaid by Jinxi Wan Tong to Jinxi Limited. The Loan Agreement was expired on 30 June 2012.

As at 30 June 2012, the amount of the Loan advanced by Jinxi Limited to Jinxi Wan Tong which remained outstanding accrued to RMB486 million. Save for all the interest due and payable was fully repaid by Jinxi Wan Tong to Jinxi Limited, the Outstanding Debt was not yet repaid by Jinxi Wan Tong to Jinxi Limited upon the expiry of the Loan Agreement.

**2. Intended Acquisition of part of Pledged Fixed Assets by Jinxi Limited from Jinxi Wan Tong**

In light of the Outstanding Debt was not yet repaid by Jinxi Wan Tong to Jinxi Limited upon the expiry of the Loan Agreement, together Jinxi Limited has the

intention to acquire part of the Pledged Fixed Assets from Jinxi Wan Tong. Jinxi Limited and Jinxi Wan Tong agreed after discussion that the Outstanding Debt will form part of the consideration for the Intended Acquisition. Jinxi Limited started the negotiation with Jinxi Wan Tong and its sole shareholder, Xindingda, on the Intended Acquisition and processed to perform the necessary evaluation including but not limited to appraise the value of and to conduct due diligence review on the Pledged Fixed Assets. The Intended Acquisition will be subject to the satisfaction of Jinxi Limited on the Appraisal and Due Diligence Review on the Pledged Fixed Assets.

### **IMPLICATION UNDER 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 notification, publication and Shareholders' approval requirements under Chapter 14 of the Listing Rules as and when necessary. Further announcement will be made in respect of the development of the Intended Acquisition as and when appropriate in compliance with the relevant Listing Rules.

**The Board wishes to emphasize that no agreement whether binding or non-binding in relation to the Intended Acquisition has been entered into as at the date of this announcement. The Intended Acquisition is subject to completion of the Appraisal and Due Diligence Review to the satisfaction of Jinxi Limited and entering into of a formal agreement between Jinxi Limited and Jinxi Wan Tong. As the Intended Acquisition may or may not be consummated, Shareholders and potential investors should exercise caution when dealing in the Shares.**

#### **1. Expiration of the Loan Agreement made between Jinxi Limited and Jinxi Wan Tong**

Reference is made to the Announcement pursuant to which disclosure were made, inter alia, that Jinxi Limited has entered into the Loan Agreement with Jinxi Wan Tong. According to the Loan Agreement, Jinxi Limited agreed to make available the Loan to Jinxi Wan Tong at a maximum amount of RMB1,100 million for a term of twelve months and charge over the fixed assets of Jinxi Wan Tong was created in favour of Jinxi Limited as security for the Loan. Upon expiry of the Loan Agreement, all the amount of the Loan advanced by Jinxi Limited to Jinxi Wan Tong together with all the interest due and payable should be repaid by Jinxi Wan Tong to Jinxi Limited. The Loan Agreement was expired on 30 June 2012.

As at 30 June 2012, the amount of the Loan advanced by Jinxi Limited to Jinxi Wan Tong which remained outstanding accrued to RMB486 million. Save for all the interest due and payable was fully repaid by Jinxi Wan Tong to Jinxi Limited, the said sum of RMB486 million (the "**Outstanding Debt**") was not yet repaid by Jinxi Wan Tong to Jinxi Limited upon the expiry of the Loan Agreement.

## **2. Intended Acquisition of part of Pledged Fixed Assets by Jinxi Limited from Jinxi Wan Tong**

In light of the Outstanding Debt was not yet repaid by Jinxi Wan Tong to Jinxi Limited upon the expiry of the Loan Agreement, together Jinxi Limited has the intention to acquire part of the Pledged Fixed Assets from Jinxi Wan Tong. Jinxi Limited and Jinxi Wan Tong agreed after discussion that the Outstanding Debt will form part of the consideration for the Intended Acquisition. Jinxi Limited started the negotiation with Jinxi Wan Tong and its sole shareholder, Xindingda, on the Intended Acquisition and processed to perform the necessary evaluation including but not limited to appraise the value of and to conduct due diligence review (the “**Appraisal and Due Diligence Review**”) on the Pledged Fixed Assets. The Intended Acquisition will be subject to the satisfaction of Jinxi Limited on the Appraisal and Due Diligence Review on the Pledged Fixed Assets.

### **Reasons and Benefits for the Intended Acquisition of part of Pledged Fixed Assets by Jinxi Limited from Jinxi Wan Tong**

Currently, Jinxi Limited leased the production facilities of Jinxi Wan Tong through lease arrangement which was used for production of the Group’s steel products. Jinxi Wan Tong was affected by the tight monetary policies implemented by the Central Government of the PRC in Year 2011 and its finance costs were increased. This was reflected in the monthly rent payable by Jinxi Limited to Jinxi Wan Tong which was increased from RMB14 million as disclosed in the Announcement to RMB25 million as at the date hereof. If the Intended Acquisition was materialised, it can help stabilising the production costs of Jinxi Limited. The Directors (including the independent non-executive Directors) are of the view that the Intended Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **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 are principally engaged in the manufacturing and sales of steel products.

## **INFORMATION OF JINXI WAN TONG**

Jinxi Wan Tong is a limited company established in the PRC and is a wholly owned subsidiary of Xindingda. It is principally engaged in the manufacturing of steel products.

## **INFORMATION OF XINDINGDA**

Xindingda is a limited company established in the PRC and is owned as to 90% and 10% by Mr. Zhang Yugui and Ms. Liu Cuihong respectively. It is principally engaged in trading business.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of Jinxi Wan Tong and Xindingda and its ultimate beneficial owners are independent third parties not connected with the Company or connected persons of the Company under the Listing Rules.

## IMPLICATION UNDER 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 notification, publication and Shareholders' approval requirements under Chapter 14 of the Listing Rules as and when necessary. Further announcement will be made in respect of the development of the Intended Acquisition as and when appropriate in compliance with the relevant Listing Rules.

**The Board wishes to emphasize that no agreement whether binding or non-binding in relation to the Intended Acquisition has been entered into as at the date of this announcement. The Intended Acquisition is subject to completion of the Appraisal and Due Diligence Review to the satisfaction of Jinxi Limited and entering into of a formal agreement between Jinxi Limited and Jinxi Wan Tong. 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, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 29 August 2011
“Board”	the board of Directors
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda and its issued Shares 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
“Intended Acquisition”	an intention of Jinxi Limited to acquire part of the Pledged Fixed Assets from Jinxi Wan Tong
“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 Wantong Ductile Iron Pipe Limited, a company established in the PRC and a wholly owned subsidiary of Xindingda
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the maximum principal amount of RMB1,100 million to be granted by Jinxi Limited to Jinxi Wan Tong pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement entered into by Jinxi Limited and Jinxi Wan Tong on 29 August 2011
“PRC”	the People’s Republic of China
“Pledged Fixed Assets”	the fixed assets of Jinxi Wan Tong over which a charge was created in favour of Jinxi Limited as security for the Loan under the Loan Agreement
“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
“Xindingda”	Qianxi County Xindingda Trading Company Limited, a limited company established in the PRC and owned as to 90% and 10% by Mr. Zhang Yugui and Ms. Liu Cuihong respectively. It is principally engaged in trading business

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

Hong Kong, 13 July 2012

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Shen Xiaoling, Mr. Zhu Hao and Mr. Han Li being the Executive Directors, Mr. Ondra Otradovec, Mr. Vijay Kumar Bhatnagar and Mr. Liu Lei being the Non-Executive Directors and Mr. Yu Tung Ho, Mr. Wong Man Chung, Francis and Mr. Wang Tianyi 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*