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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 LIMITED AND DONG FANG SHEN HUO

Continuing Connected Transactions under the Dong Fang Shen Huo Framework Agreement

The Board hereby announces that on 31 October 2014, Jinxi Limited entered into the Dong Fang Shen Huo Framework Agreement with Dong Fang Shen Huo for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016.

Dong Fang Shen Huo is currently owned as to 81% by Mr. Wang Qinghong. Mr. Wang Qinghong is also the owner of Beijing Feng Rui Tai He which held 10% equity interest in Dafang Heavy Industry, an indirect non-wholly owned subsidiary of the Company. As Dafang Heavy Industry is an insignificant subsidiary of the Company, Mr. Wang Qinghong should not be regarded as a connected person of the Company in this respect. However, as Mr. Wang Qinghong is the brother-in-law of Mr. Yu Lifeng, the general manager and director of Jinxi Limited (which is not regarded as an insignificant subsidiary), Mr. Wang Qinghong is a deemed connected person of the Company and therefore the transactions contemplated under the Dong Fang Shen Huo Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

It is expected that the proposed Dong Fang Shen Huo Annual Cap for each of the three years ending 31 December 2014, 2015 and 2016 will not exceed RMB60,000,000, RMB80,000,000 and RMB100,000,000 respectively.

The proposed Dong Fang Shen Huo Annual Cap has been determined after taking into account of (i) the historical transactions figures regarding the transactions between the Company and/or its subsidiaries and Dong Fang Shen Huo of approximately RMB17,500,000 for the period from 1 January 2014 to 30 October 2014 (in respect of which all the percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than profit ratio) are less than 1%); (ii) the estimated demand of the energy saving products by the Company and/or its subsidiaries; (iii) the prevailing market price of the energy saving products; and (iv) the anticipated market price of the energy saving products during the term of the Dong Fang Shen Huo Framework Agreement.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than profit ratio) in respect of the proposed Dong Fang Shen Huo Annual Cap under the Dong Fang Shen Huo Framework Agreement is on an annual basis more than 1% but less than 5%, the continuing connected transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS UNDER THE DONG FANG SHEN HUO FRAMEWORK AGREEMENT

The Board hereby announces that on 31 October 2014, Jinxi Limited entered into the Dong Fang Shen Huo Framework Agreement with Dong Fang Shen Huo in respect of the purchase of the energy saving products by Jinxi Limited and/or its subsidiaries from Dong Fang Shen Huo and/or its subsidiaries for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016.

Principal terms of the Dong Fang Shen Huo Framework Agreement

Date of Agreement

31 October 2014

Parties

- (i) Jinxi Limited (as purchaser); and
- (ii) Dong Fang Shen Huo (as Supplier)

Subject Matter

Jinxi Limited and/or its subsidiaries has agreed to purchase from Dong Fang Shen Huo and/or its subsidiaries and Dong Fang Shen Huo and/or its subsidiaries has agreed to sell to Jinxi Limited and/or its subsidiaries energy saving products.

Term

From 1 January 2014 to 31 December 2016

Pricing Policy

The prices of energy saving products will be determined by reference to the prevailing market prices of energy saving products at the relevant time and on normal commercial terms or better and will not be higher than the prices of energy saving products sold by Dong Fang Shen Huo and/or its subsidiaries to other independent third party customers or obtained from independent third parties suppliers by Jinxi Limited and or/its subsidiaries and will be settled in cash by the Group upon delivery.

Given Dong Fang Shen Huo is currently the sole supplier of the Group for energy saving products, the price for the energy saving products would be set by reference to the prevailing sale price of other independent third party suppliers selling the energy saving products to the Group or the prevailing sale price of Dong Fang Shen Huo selling the energy saving products to other independent third party customers. The management of the Group will review the aforesaid pricing policy on a regular basis and will separately negotiate with Dong Fang Shen Huo on normal commercial terms or better on the price of the energy saving products pursuant to the regular review when the Group places order with Dong Fang Shen Huo. In light of this, the Directors consider that the aforesaid method and procedures for determining the price for the purchase of the energy saving products can ensure that the continuing connected transactions contemplated under the Dong Fang Shen Huo Framework Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and its Shareholders as a whole.

Proposed Dong Fang Shen Huo Annual Cap for the Continuing Connected Transactions contemplated under the Dong Fang Shen Huo Framework Agreement

It is expected that the proposed Dong Fang Shen Huo Annual Cap for the continuing connected transactions contemplated under the Dong Fang Shen Huo Framework Agreement for each of the three years ending 31 December 2014, 2015 and 2016 will not exceed the amounts set out below:

For the year ending 31 December	RMB
2014	60,000,000
2015	80,000,000
2016	100,000,000

The proposed Dong Fang Shen Huo Annual Cap has been determined after taking into account of (i) the historical transactions figures regarding the transactions between the Company and/or its subsidiaries and Dong Fang Shen Huo of approximately RMB17,500,000 for the period from 1 January 2014 to 30 October 2014 (in respect of which all the percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than profit ratio) are less than 1%); (ii) the estimated demand of the energy saving products by the Company and/or its subsidiaries; (iii) the prevailing market price of the energy saving products; and (iv) the anticipated market price of the energy saving products during the term of the Dong Fang Shen Huo Framework Agreement.

Reasons and Benefits for Entering into the Dong Fang Shen Huo Framework Agreement

The principal activity of the Group is manufacture and sale of iron and steel products and real estate business. Energy saving products can reduce energy consumption during the production of iron and steel products. The continuing connected transactions contemplated under the Dong Fang Shen Huo Framework Agreement will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. By entering into the Dong Fang Shen Huo Framework Agreement, the Group can reduce its various production costs and increase its profit margin.

Information of Jinxi Limited and the Group

Jinxi Limited is a limited company established in the PRC and is a 97.6% indirect non-wholly owned subsidiary of the Company. The Group is principally engaged in the manufacturing and sale of iron and steel products and real estate business.

Information of Dong Fang Shen Huo

Dong Fang Shen Huo is a company established in the PRC and is currently owned as to 81% by Mr. Wang Qinghong. Mr. Wang Qinghong is also the owner of Beijing Feng Rui Tai He which held 10% equity interest in Dafang Heavy Industry, an indirect non-wholly owned subsidiary of the Company. As Dafang Heavy Industry is an insignificant subsidiary of the Company, Mr. Wang Qinghong should not be regarded as a connected person of the Company in this respect. However, as Mr. Wang Qinghong is the brother-in-law of Mr. Yu Lifeng, the general manager and director of Jinxi Limited (which is not regarded as an insignificant subsidiary), Mr. Wang Qinghong is a deemed connected person of the Company and therefore the transactions contemplated under the Dong Fang Shen Huo Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The principal activities of Dong Fang Shen Huo are manufacture and sale of energy-saving equipment and technology.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than profit ratio) in respect of the proposed Dong Fang Shen Huo Annual Cap under the Dong Fang Shen Huo Framework Agreement is on an annual basis more than 1% but less than 5%, the continuing connected transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

The Board confirms that none of the Directors has a material interest in the Dong Fang Shen Huo Framework Agreement and the continuing connected transactions contemplated thereunder and no Director has abstained from voting on the board resolutions approving the Dong Fang Shen Huo Framework Agreement and the transactions contemplated thereunder including the proposed Dong Fang Shen Huo Annual Cap.

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 Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Beijing Feng Rui Tai He”	北京豐瑞泰合投資有限公司(Beijing Feng Rui Tai He Investments Limited*), a company established in the PRC and owns 10% equity interest in Dafang Heavy Industry

“Dafang Heavy Industry”	河北津西鋼鐵集團大方重工科技有限公司(Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Company Limited*), a company established in the PRC and an indirect non-wholly subsidiary of the Company. Its principal activities are manufacture and sales of casting products and equipment maintenance
“deemed connected person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Director(s)”	director(s) of the Company
“Dong Fang Shen Huo”	遷西縣東方聖火環保科技產品有限公司(Qianxi Dong Fang Shen Huo Environmental Protection Technology Product Company Limited*), a company established in the PRC. Its principal activities are manufacture and sale of energy-saving equipment and technology
“Dong Fang Shen Huo Annual Cap”	the maximum aggregate annual value (excluding value added tax and import tax, if applicable) in respect of the continuing connected transactions contemplated under the Dong Fang Shen Huo Framework Agreement
“Dong Fang Shen Huo Framework Agreement”	a framework agreement dated 31 October 2014 and entered into between Jinxi Limited and/or its subsidiaries and Dong Fang Shen Huo and/or its subsidiaries in respect of the purchase of energy saving products by Jinxi Limited from Dong Fang Shen Huo for a term of three years commencing from 1 January 2014 to 31 December 2016
“Group”	collectively, the Company and its subsidiaries from time to time
“insignificant subsidiary”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Jinxi Limited”	河北津西鋼鐵集團股份有限公司(Hebei Jinxi Iron and Steel Group Company Limited*), a joint stock limited company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company. Its principal activities are manufacture and sale of iron and steel products
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang Qinghong”	the owner of Beijing Feng Rui Tai He which owns 10% of Dafang Heavy Industry. He is also the brother-in-law of Mr. Yu Lifeng

“Mr. Yu Lifeng”	the director and the general manager of Jinxi Limited. He is also the brother-in-law of Mr. Wang Qinghong
“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
“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, 31 October 2014

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. Vijay Kumar BHATNAGAR being the Non-executive Director and Mr. WONG Man Chung, Francis, Mr. WANG Tianyi and Mr. ZHOU Guoping 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*