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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)

VOLUNTARY ANNOUNCEMENT

REGARDING TRANSACTIONS BETWEEN THE GROUP AND

PERSONS CONNECTED WITH INSIGNIFICANT

SUBSIDIARIES

(1) Transactions under the Xin Ding Da Framework Agreement

The Board hereby announces that on 2 December 2014, Jinxi Limited entered into the Xin Ding Da Framework Agreement with Xin Ding Da for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016.

Xin Ding Da is currently wholly owned by Mr. Zhang Xin. Mr. Zhang Xin is the nephew of Mr. Zhang Yuhai who is currently a director of Tianjin Juli and Jinxi Special Steel (both are indirect non-wholly owned subsidiaries of the Company). Having aggregated the total assets, profits and revenue of Tianjin Juli and Jinxi Special Steel, they are taken as insignificant subsidiaries of the Company, therefore Mr. Zhang Yuhai and accordingly Mr. Zhang Xin are not regarded as connected persons of the Company pursuant to Rule 14.09 of the Listing Rules and the transactions contemplated under the Xin Ding Da Framework Agreement do not constitute continuing connected transactions for the Company. However, on a voluntary basis, the Board hereby announces the transactions contemplated under the Xin Ding Da Framework Agreement.

It is expected that the Xin Ding Da Annual Cap for each of the three years ending 31 December 2014, 2015 and 2016 will not exceed RMB70,000,000, RMB70,000,000 and RMB70,000,000 respectively.

The Xin Ding Da 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 Xin Ding Da of approximately RMB23,000,000 for the period from 1 January 2014 to 30 November 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 iron powder and coke and related products by the Company and/or its subsidiaries; (iii) the prevailing market price of the iron powder and coke and related products; and (iv) the anticipated market price of the iron powder and coke and related products during the term of the Xin Ding Da Framework Agreement.

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the Xin Ding Da Annual Cap under the Xin Ding Da Framework Agreement is on an annual basis more than 1% but less than 5%. If the transactions contemplated under the Xin Ding Da Framework Agreement are regarded as continuing connected transactions, they will then be subject to reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

(2) Transactions under the Jin Zhao Lai Framework Agreement

The Board hereby announces that on 2 December 2014, Jinxi Limited entered into the Jin Zhao Lai Framework Agreement with Jin Zhao Lai for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016.

Jin Zhao Lai is currently wholly owned by Mr. Zhang Yugui. Mr. Zhang Yugui is the brother of Mr. Zhang Yuhai who is currently a director of certain subsidiaries of the Company as mentioned above. As disclosed above, since Tianjin Juli and Jinxi Special Steel are taken as insignificant subsidiaries of the Company, therefore Mr. Zhang Yuhai and accordingly Mr. Zhang Yugui are not regarded as connected persons of the Company pursuant to Rule 14.09 of the Listing Rules and the transactions contemplated under the Jin Zhao Lai Framework Agreement do not constitute continuing connected transactions for the Company. However, on a voluntary basis, the Board hereby announces the transactions contemplated under the Jin Zhao Lai Framework Agreement.

It is expected that the Jin Zhao Lai Annual Cap for each of the three years ending 31 December 2014, 2015 and 2016 will not exceed RMB60,000,000, RMB60,000,000 and RMB60,000,000 respectively.

The Jin Zhao Lai Annual Cap has been determined after taking into account of (i) the estimated demand of the iron powder and related products by the Company and/or its subsidiaries; (ii) the prevailing market price of the iron powder and related products; and (iii) the anticipated market price of the iron powder and related products during the term of the Jin Zhao Lai Framework Agreement.

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than profit ratio) in respect of the Jin Zhao Lai Annual Cap under the Jin Zhao Lai Framework Agreement is on an annual basis more than 1% but less than 5%. If the transactions contemplated under the Jin Zhao Lai Framework Agreement are regarded as continuing connected transactions, they will then be 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.

Furthermore, Mr. Zhang Xin is the son of Mr. Zhang Yugui. If the transactions contemplated under the Xin Ding Da Framework Agreement and the Jin Zhao Lai Framework Agreement are regarded as continuing connected transactions, these continuing connected transactions should be aggregated under Rule 14A.83 of the Listing Rules. The highest applicable percentage ratio (other than the profits ratio) in respect of the Xin Ding Da Annual Cap and Jin Zhao Lai Annual Cap when aggregated are on an annual basis more than 1% but less than 5%. If the transactions contemplated under the Xin Ding Da Framework Agreement and Jin Zhao Lai Framework Agreement are regarded as continuing connected transactions, they will then be 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 (including independent non-executive Directors) are of the view that the Framework Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of the business of the Group on normal commercial terms or better and have been negotiated on an arm's length basis between Jinxi Limited (and for and on behalf of its subsidiaries) and Xin Ding Da and Jin Zhao Lai (and for and on behalf of their subsidiaries) respectively and the terms thereof together with the Xin Ding Da Annual Cap and the Jin Zhao Lai Annual Cap are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

(1) TRANSACTIONS UNDER THE XIN DING DA FRAMEWORK AGREEMENT

The Board hereby announces that on 2 December 2014, Jinxi Limited entered into the Xin Ding Da Framework Agreement with Xin Ding Da in respect of the purchase of the iron powder and coke and related products by Jinxi Limited and/or its subsidiaries from Xin Ding Da 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 Xin Ding Da Framework Agreement

Date of Agreement

2 December 2014

Parties

- (i) Jinxi Limited (as purchaser); and
- (ii) Xin Ding Da (as supplier)

Subject Matter

Jinxi Limited and/or its subsidiaries has agreed to purchase from Xin Ding Da and/or its subsidiaries and Xin Ding Da and/or its subsidiaries has agreed to sell to Jinxi Limited and/or its subsidiaries iron powder and coke and related products.

Term

From 1 January 2014 to 31 December 2016

Pricing Policy

The prices of iron powder and coke and related products will be determined by reference to the prevailing market prices of iron powder and coke and related products at the relevant time and on normal commercial terms or better and will not be higher than the prices of iron powder and coke and related products obtained from independent third parties by Jinxi Limited and or/its subsidiaries and will be settled in cash by the Group upon delivery.

The management of the Group will review the aforesaid pricing policy on a regular basis and will separately negotiate with Xin Ding Da on normal commercial terms or better on the price of the iron powder and coke and related products pursuant to the regular review when the Group places order with Xin Ding Da. In light of this, the Directors consider that the aforesaid method and procedures for determining the price for the purchase of the iron powder and coke and related products can ensure that the transactions contemplated under the Xin Ding Da 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.

Xin Ding Da Annual Cap for the transactions contemplated under the Xin Ding Da Framework Agreement

It is expected that the Xin Ding Da Annual Cap for the transactions contemplated under the Xin Ding Da 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	70,000,000
2015	70,000,000
2016	70,000,000

The Xin Ding Da 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 Xin Ding Da of approximately RMB23,000,000 for the period from 1 January 2014 to 30 November 2014 (in respect of which all the highest 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 iron powder and coke and related products by the Company and/or its subsidiaries; (iii) the prevailing market price of the iron powder and coke and related products; and (iv) the anticipated market price of the iron powder and coke and related products during the term of the Xin Ding Da Framework Agreement.

Reasons and benefits for entering into the Xin Ding Da Framework Agreement

The principal activity of the Group is manufacture and sale of iron and steel products and real estate business. Iron powder and coke and related products are one of the major raw materials for production of iron and steel products. The transactions contemplated under the Xin Ding Da 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 Xin Ding Da Framework Agreement, the Group can ensure a steady supply of iron powder and coke and related products which is crucial for the Group's existing iron and steel production business.

(2) TRANSACTIONS UNDER THE JIN ZHAO LAI FRAMEWORK AGREEMENT

The Board hereby announces that on 2 December 2014, Jinxi Limited entered into the Jin Zhao Lai Framework Agreement with Jin Zhao Lai in respect of the purchase of the iron powder and related products by Jinxi Limited and/or its subsidiaries from Jin Zhao Lai 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 Jin Zhao Lai Framework Agreement

Date of Agreement

2 December 2014

Parties

- (i) Jinxi Limited (as purchaser); and
- (ii) Jin Zhao Lai (as supplier)

Subject Matter

Jinxi Limited and/or its subsidiaries has agreed to purchase from Jin Zhao Lai and/or its subsidiaries and Jin Zhao Lai and/or its subsidiaries has agreed to sell to Jinxi Limited and/or its subsidiaries iron powder and related products.

Term

From 1 January 2014 to 31 December 2016

Pricing Policy

The prices of iron powder and related products will be determined by reference to the prevailing market prices of iron powder and related products at the relevant time and on normal commercial terms or better and will not be higher than the prices of iron powder and related products obtained from independent third parties by Jinxi Limited and or/its subsidiaries and will be settled in cash by the Group upon delivery.

The management of the Group will review the aforesaid pricing policy on a regular basis and will separately negotiate with Jin Zhao Lai on normal commercial terms or better on the price of the iron powder and related products pursuant to the regular review when the Group places order with Jin Zhao Lai. In light of this, the Directors consider that the aforesaid method and procedures for determining the price for the purchase of the iron powder and related products can ensure that the transactions contemplated under the Jin Zhao Lai 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.

Jin Zhao Lai Annual Cap for the transactions contemplated under the Jin Zhao Lai Framework Agreement

It is expected that the Jin Zhao Lai Annual Cap for the transactions contemplated under the Jin Zhao Lai 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	60,000,000
2016	60,000,000

The Jin Zhao Lai Annual Cap has been determined after taking into account of (i) the estimated demand of the iron powder and related products by the Company and/or its subsidiaries; (ii) the prevailing market price of the iron powder and related products; and (iii) the anticipated market price of the related products during the term of the Jin Zhao Lai Framework Agreement.

Reasons and benefits for entering into the Jin Zhao Lai Framework Agreement

The principal activity of the Group is manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. Iron powder and related products are one of the major raw materials for production of iron and steel products. The transactions contemplated under the Jin Zhao Lai 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 Jin Zhao Lai Framework Agreement, the Group can ensure a steady supply of iron powder and related products which is crucial for the Group's existing iron and steel production business.

GENERAL INFORMATION OF THE PARTIES

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. Jinxi Limited and the Group is principally engaged in the manufacturing and sale of iron and steel products and real estate business.

Information of Xin Ding Da

Xin Ding Da is a company established in the PRC and is currently wholly owned by Mr. Zhang Xin. Mr. Zhang Xin is the nephew of Mr. Zhang Yuhai who is currently a director of Tianjin Juli and Jinxi Special Steel (both are indirect non-wholly owned subsidiaries of the Company). Having aggregated the total assets, profits and revenue of Tianjin Juli and Jinxi Special Steel, they are taken as insignificant subsidiaries of the Company, therefore Mr. Zhang Yuhai and accordingly Mr. Zhang Xin are not regarded as connected persons of the Company pursuant to Rule 14.09 of the Listing Rules and the transactions contemplated under the Xin Ding Da Framework Agreement do not constitute continuing connected transactions for the Company. However, on a voluntary basis, the Board hereby announces the transactions contemplated under the Xin Ding Da Framework Agreement. The principal activity of Xin Ding Da is trading business.

Information of Jin Zhao Lai

Jin Zhao Lai is a company established in the PRC and is currently wholly owned by Mr. Zhang Yugui. Mr. Zhang Yugui is the brother of Mr. Zhang Yuhai who is currently a director of certain subsidiaries of the Company as mentioned above. As disclosed above, since Tianjin Juli and Jinxi Special Steel are taken as insignificant subsidiaries of the Company, therefore Mr. Zhang Yuhai and accordingly Mr. Zhang Yugui are not regarded as connected persons of the Company pursuant to Rule 14.09 of the Listing Rules and the transactions contemplated under the Jin Zhao Lai Framework Agreement do not constitute continuing connected transactions for the Company. However, on a voluntary basis, the Board hereby announces the transactions contemplated under the Jin Zhao Lai Framework Agreement. The principal activities of Jin Zhao Lai are manufacture and sale of iron powder and related products.

IMPLICATION UNDER THE LISTING RULES

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the Xin Ding Da Annual Cap under the Xin Ding Da Framework Agreement is on an annual basis more than 1% but less than 5%. If the transactions contemplated under the Xin Ding Da Framework Agreement are regarded as continuing connected transactions, they will then be subject to reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than profit ratio) in respect of the Jin Zhao Lai Annual Cap under the Jin Zhao Lai Framework Agreement is on an annual basis more than 1% but less than 5%. If the transactions contemplated under the Jin Zhao Lai Framework Agreement are regarded as continuing connected transactions, they will then be 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.

Furthermore, Mr. Zhang Xin is the son of Mr. Zhang Yugui. If the transactions contemplated under the Xin Ding Da Framework Agreement and the Jin Zhao Lai Framework Agreement are regarded as continuing connected transactions, these continuing connected transactions should be aggregated under Rule 14A.83 of the Listing Rules. The highest applicable percentage ratio (other than the profits ratio) in respect of the Xin Ding Da Annual Cap and Jin Zhao Lai Annual Cap when aggregated are on an annual basis more than 1% but less than 5%. If the transactions contemplated under the Xin Ding Da Framework Agreement and Jin Zhao Lai Framework Agreement are regarded as continuing connected transactions, they will then be 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 Framework Agreements and the transactions contemplated thereunder and no Director has abstained from voting on the board resolutions approving the Framework Agreements and the transactions contemplated thereunder the Xin Ding Da Annual Cap and Jin Zhao Lai Annual Cap.

The Board (including independent non-executive Directors) are of the view that the Framework Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of the business of the Group on normal commercial terms or better and have been negotiated on an arm's length basis between Jinxi Limited (and for and on behalf of its subsidiaries) and Xin Ding Da and Jin Zhao Lai (and for and on behalf of their subsidiaries) respectively and the terms thereof together with Xin Ding Da Annual Cap and Jin Zhao Lai Annual Cap are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

DEFINITIONS

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

“Board”	the board of Directors
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“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
“Director(s)”	director(s) of the Company
“Framework Agreements”	collectively, the Xin Ding Da Framework Agreement and the Jin Zhao Lai Framework Agreement
“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
“Jin Zhao Lai”	遷西縣金兆來精選廠(Qianxi Jin Zhao Lai Iron Ore Mine*), a company established in the PRC. Its principal activities are manufacture and sale of iron powder
“Jin Zhao Lai Annual Cap”	the maximum aggregate annual value (excluding value added tax and import tax, if applicable) in respect of the transactions contemplated under the Jin Zhao Lai Framework Agreement
“Jin Zhao Lai Framework Agreement”	a framework agreement dated 2 December 2014 and entered into between Jinxi Limited and Jin Zhao Lai in respect of the purchase of iron powder and related products by Jinxi Limited and/or its subsidiaries from Jin Zhao Lai and/or its subsidiaries for a term of three years commencing from 1 January 2014 to 31 December 2016
“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
“Jinxi Special Steel”	河北津西鋼鐵集團特鋼有限公司(Hebei Jinxi Iron and Steel Group Special Steel Company Limited*), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. Its principal activities are manufacture and sale of steel products
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Zhang Xin”	the director of and owner of 100% equity interests in Xin Ding Da. He is the nephew of Mr. Zhang Yuhai and the son of Mr. Zhang Yugui
“Mr. Zhang Yugui	the director of and owner of 100% equity interests in Jin Zhao Lai. He is the brother of Mr. Zhang Yuhai and the father of Mr. Zhang Xin
“Mr. Zhang Yuhai”	the director of Tianjin Juli and Jinxi Special Steel. He is the brother of Mr. Zhang Yugui and the uncle of Mr. Zhang Xin
“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
“Tianjin Juli”	天津聚利貿易有限公司(Tianjin Juli Trade Company Limited*), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. Its principal activity is international trading
“Xin Ding Da”	遷西縣鑫鼎達商貿有限公司(Qianxi Xin Ding Da Trading Company Limited*), a company established in the PRC. Its principal activity is trading business
“Xin Ding Da Annual Cap”	the maximum aggregate annual value (excluding value added tax and import tax, if applicable) in respect of the transactions contemplated under the Xin Ding Da Framework Agreement
“Xin Ding Da Framework Agreement”	a framework agreement dated 2 December 2014 and entered into between Jinxi Limited and Xin Ding Da in respect of the purchase of iron powder and coke and related products by Jinxi Limited and/or its subsidiaries from Xin Ding Da and/or its subsidiaries for a term of three years commencing from 1 January 2014 to 31 December 2016

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

Hong Kong, 2 December 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*