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## **ORIENT RESOURCES GROUP COMPANY LIMITED**

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 467)**

### **MAJOR AND CONNECTED TRANSACTION DEEMED DISPOSAL OF INTERESTS IN JOINT VENTURE COMPANY**

The Board announced that on 11 December 2007, Grand Hope entered into the Capital Contribution Agreement with Beijing Glory pursuant to which the parties have conditionally agreed to increase the total investment and the registered capital of Shenyang Dadongfang from US\$30,359,800 to US\$71,851,400 and from US\$15,179,900 to US\$35,925,700, respectively. Under the Capital Contribution Agreement, Beijing Glory will solely contribute the full amount of US\$20,745,800 in the increased registered capital. Upon completion of the investment injection, Beijing Glory and Grand Hope will be interested in 70% and 30% of the paid-up registered capital in Shenyang Dadongfang.

The transaction under the Capital Contribution Agreement constitutes a major and connected transaction of the Company under Rules 14.08 and 14A.16(5) of the Listing Rules and will be subject to, and conditional on, among other things, the approval of the Independent Shareholders by poll at the SGM. Accordingly, the Independent Board Committee has been established to advise the Independent Shareholders and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Capital Contribution Agreement and the transaction thereunder.

A circular containing, among other things, further details of the Capital Contribution Agreement, the recommendation of the Independent Board Committee in respect of the transaction thereunder, a letter of advice from the Independent Financial Adviser, a property valuation report from the Independent Valuer, a notice of the SGM and other information as required under the Listing Rules will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

### **BACKGROUND**

The Company refers to its announcements dated 1 December 2005, 1 June 2006 and 27 July 2006, and its circular dated 31 March 2006, in relation to, among others, the acquisition of the entire issued share capital of Grand Hope. As a result of the Acquisition, Shenyang Dadongfang has become a subsidiary of the Company and the Group holds 71% indirect interests in the paid-up registered capital of Shenyang Dadongfang through Grand Hope.

Shenyang Dadongfang is a sino-foreign equity joint venture established in the PRC on 19 March 2004. As at the date hereof, Shenyang Dadongfang has a paid-up registered capital and a total investment of US\$15,179,900 and US\$30,359,800 respectively, and the equity interest of Shenyang Dadongfang was owned as to 71% by Grand Hope and 29% by Beijing Glory.

Shenyang Dadongfang is principally engaged in property development and investment in the PRC.

## **CAPITAL CONTRIBUTION AGREEMENT**

### **Date**

11 December 2007

### **Parties**

(A) Grand Hope, a wholly-owned subsidiary of the Company

(B) Beijing Glory, a Connected Person of the Company

### **Terms**

Subject to the fulfillment of the conditions precedent, the parties agreed that:

- (1) the total investment of Shenyang Dadongfang shall be increased from US\$30,359,800 to US\$71,851,400;
- (2) the registered capital of Shenyang Dadongfang shall be increased from US\$15,179,900 to US\$35,925,700, which represents an increase of US\$20,745,800 or 136.67% over the existing registered capital of Shenyang Dadongfang;
- (3) Beijing Glory shall solely contribute US\$20,745,800 to the registered capital of Shenyang Dadongfang and the resulting equity interests in Shenyang Dadongfang held by Beijing Glory after the completion of the Capital Contribution Agreement will be increased from 29% to 70%; and
- (4) the resulting equity interests held by Grand Hope in Shenyang Dadongfang after the completion of the Capital Contribution Agreement will be diluted from 71% to 30%.

The percentage equity interests of the Grand Hope and Beijing Glory in Shenyang Dadongfang before and after the completion of the Capital Contribution Agreement are set out as follows:—

	<b>Before</b>		<b>After</b>	
	<b>Amount</b>	<b>percentage in total registered capital</b>	<b>Amount</b>	<b>percentage in total registered capital</b>
Grand Hope	US\$10,777,700	71%	US\$10,777,700	30%
Beijing Glory	<u>US\$4,402,200</u>	<u>29%</u>	<u>US\$25,148,000</u>	<u>70%</u>
Total	<u><u>US\$15,179,900</u></u>	<u><u>100%</u></u>	<u><u>US\$35,925,700</u></u>	<u><u>100%</u></u>

Pursuant to Rule 14.29 of the Listing Rules, the transaction under the Capital Contribution Agreement constitutes a deemed disposal of 41% equity interests in Shenyang Dadongfang by the Group to Beijing Glory.

### **Conditions precedent**

Completion of the Capital Contribution Agreement is subject to the fulfillment of the following conditions:

1. the passing of an ordinary resolution by the Independent Shareholders by poll at the SGM to approve the Capital Contribution Agreement and the transaction contemplated under the Capital Contribution Agreement as required by the Listing Rules; and
2. the relevant authorities in the PRC approving the transaction contemplated under the Capital Contribution Agreement.

### **REASONS FOR ENTERING INTO THE CAPITAL CONTRIBUTION AGREEMENT**

The Directors consider that the increase of the registered capital of Shenyang Dadongfang pursuant to the Capital Contribution Agreement is in the best interests of the Company and its shareholders. The increased capital will be utilized to finance the development and improve the working capital of Shenyang Dadongfang. The financial performance of Shenyang Dadongfang is expected to improve when the property development projects begin to generate revenue and the Group will share the profit of Shenyang Dadongfang according to its percentage equity interest in Shenyang Dadongfang.

If Grand Hope has to maintain its current level of equity interests in Shenyang Dadongfang, an injection of US\$14,729,500 (equivalent to approximately HK\$114,890,100) as capital contribution will be required and this will have an adverse effect on the Group's working capital. In light of the recent acquisition of the oil business by the Group and the Group's business strategy to expand into the oil business (the details of which have been published in the Company's announcement dated 15 August 2007 and circular dated 17 September 2007), the Directors consider that any further injection of capital into Shenyang Dadongfang is not a priority in the business strategy of the Group and it is in the best interest of the

Group to focus the managerial, operational and financial resources in the oil business. The Group nevertheless does not rule out any possibility of increasing its investment in Shenyang Dadongfang in the future. In the event that the Group further injects capital into Shenyang Dadongfang, the Company will comply with the relevant laws and Listing Rules requirements.

Based on the above reasons, and subject to the advice by the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Capital Contribution Agreement is beneficial to the Company's business prospects; the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE TRANSACTION UNDER THE CAPITAL CONTRIBUTION AGREEMENT**

In accordance with the Hong Kong Financial Reporting Standards, the net profit before and after tax attributable to Shenyang Dadongfang for the year ended 31 March 2007 was RMB6,245,579 (equivalent to approximately HK\$6,308,666) and RMB4,424,451 (equivalent to approximately HK\$ 4,469,142) respectively; and that for the year ended 31 March 2006 was RMB24,030,189 (equivalent to approximately HK\$22,820,692) and RMB16,444,327 (equivalent to approximately HK\$15,616,645) respectively.

The Company acquired 71% equity interests in Shenyang Dadongfang through its acquisition of the entire issued share capital of Grand Hope for a consideration of HK\$508,000,000 which was completed on 6 June 2006. At the time of acquisition, the total assets of Grand Hope solely comprised 71% equity interest in Shenyang Dadongfang. As at 31 March 2007, the net assets value of Shenyang Dadongfang was reported to be RMB301,066,244 (equivalent to approximately HK\$304,107,317) in the Company's audited consolidated accounts prepared in accordance with the Hong Kong Financial Reporting Standards. As at 30 September 2007, the net assets value of Shenyang Dadongfang was reported to be RMB108,032,657 (equivalent to approximately HK\$111,523,337) in the Company's consolidated accounts. The market value of the investment property held by Shenyang Dadongfang as at 31 March 2007 was estimated by the Independent Valuer to be RMB160,000,000 (equivalent to approximately HK\$ 161,616,161) in the valuation report dated 26 July 2007. Since there will be no transfer of assets or equity interests owned by the Group in Shenyang Dadongfang pursuant to the Capital Contribution Agreement and there will be no proceeds receivable by the Group as a result of the transaction thereunder, there will be no significant gain or loss to be reported in the next financial statements of the Company.

Upon completion of the Capital Contribution Agreement, Shenyang Dadongfang will cease to be a subsidiary of the Group and its accounts will no longer be consolidated to the Company's financial statements. Shenyang Dadongfang will become an associate of the Group following the completion of the Capital Contribution Agreement. The Group, however, has currently no intention to further dispose of its interests, whether by direct transfer or deemed disposal through dilution by the joint venture partner, in Shenyang Dadongfang.

## **INFORMATION ON THE GROUP**

The Company acts as an investment holding company. The principal activities of its subsidiary are investment holding, wholesale of household building materials, property development and investment, and oil resources business.

## **INFORMATION ON BEIJING GLORY**

Beijing Glory is a limited liability company established in the PRC on 12 March 2002 with a registered capital of RMB100,000,000. Beijing Glory is principally engaged in the business of property development.

Beijing Glory acquired 29% equity interests in Shenyang Dadongfang in August 2006 and has since then become a Connected Person of the Company by virtue of its interests in Shenyang Dadongfang, a subsidiary of the Company.

## **MAJOR AND CONNECTED TRANSACTION**

The transaction under the Capital Contribution Agreement constitutes a major transaction of the Company under Rule 14.08 of the Listing Rules. As Beijing Glory is a Connected Person, the transaction under the Capital Contribution Agreement will also constitute a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules and will be subject to, and conditional on, among other things, the approval of the Independent Shareholders by poll at the SGM.

## **GENERAL**

A circular containing, among other things, further details of the Capital Contribution Agreement, the recommendation of the Independent Board Committee in respect of the transaction thereunder, a letter of advice from the Independent Financial Adviser, a property valuation report from the Independent Valuer, a notice of the SGM and other information as required under the Listing Rules will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules. The vote of the Independent Shareholders will be taken by poll pursuant to the Listing Rules. There is no Shareholder who or whose associates have an interest in the Capital Contribution Agreement which is different from the other Shareholders and shall abstain from voting in relation to the ordinary resolution to be put forward at the SGM for the purpose of approving the transaction thereunder.

## DEFINITIONS

“Acquisition”	the acquisition of the entire issued share capital of Grand Hope by the Company
“associates”	has the same meaning ascribed to it under the Listing Rules
“Beijing Glory”	北京國瑞興業地產有限公司(Beijing Glory Real Estate Co. Ltd.*), a limited liability company established in the PRC on 12 March 2002 with a registered capital of RMB100,000,000.
“Board”	the board of Directors
“Capital Contribution Agreement”	the agreement dated 11 December 2007 entered into by Grand Hope and Beijing Glory in relation to the increase of registered capital of Shenyang Dadongfang and the parties’ capital contribution obligations
“Company”	Orient Resources Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Connected Person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Grand Hope”	Grand Hope Group Limited, a company incorporated in the British Virgin Islands with limited liability on 20 February 2004 and is a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, all being independent non-executive Directors, established for the purpose of considering the transaction under the Capital Contribution Agreement and making recommendation to the Independent Shareholders

“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the transaction under the Capital Contribution Agreement
“Independent Shareholders”	shareholders who and whose associates are not involved in or have any interest in the transaction under the Capital Contribution Agreement
“Independent Valuer”	BMI Appraisals Limited, independent chartered surveyors and property valuers
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“RMB”	Reminbi yuan, the lawful currency of the PRC
“Shareholders”	Shareholders of the Company
“Shenyang Dadongfang”	瀋陽大東方置業有限公司(Shenyang Dadongfang Property Development Co., Ltd.*), a sino-foreign joint venture established in the PRC on 19 March 2004
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SGM”	a special general meeting of the Company to be held to consider the resolution to approve the transaction under the Capital Contribution Agreement
“US\$”	United States dollars, the lawful currency of the United States of America

\* *For identification purposes only*

*As at the date of this announcement, the executive Directors are Mr. Zhang Hongwei (Chairman), Mr. Zhu Jun and Ms Zhang Meiyong, and the independent non-executive Directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.*

By order of the Board  
**Orient Resources Group Company Limited**  
**Zhang Hongwei**  
*Chairman*

11 December 2007, Hong Kong

Please also refer to the published version of this announcement in The Standard.