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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)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF 71% EQUITY INTEREST IN
XINYI IRON AND STEEL**

The Board is pleased to announce that on 4 August 2008, Jinxi Iron and Steel, a non wholly-owned subsidiary of the Company, has entered into the Agreements with the Vendors in relation to the acquisition of a 71% equity interest in Xinyi Iron and Steel and 71% of the shareholders' loan owed by Xinyi Iron and Steel to the Vendors, at a total cash consideration of RMB532,393,500.

Upon Completion, Xinyi Iron and Steel will become an indirect non-wholly owned subsidiary of the Company and the Group's total steel production capacity will reach 7,000,000 tonnes per annum.

As some of the relevant percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular, containing among other things, further information in relation to the Acquisition and the Agreements, will be sent to the shareholders of the Company as soon as practicable.

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THE AGREEMENTS

Date

4 August 2008

Parties

Purchaser: Jinxi Iron and Steel

Vendors: Mr. Wong Zhenfu, holding RMB34.33 million registered capital or approximately 40.87% equity interest in Xinyi Iron and Steel;

Mr. Tan Yusang, holding RMB23.83 million registered capital or approximately 28.37% equity interest in Xinyi Iron and Steel;

Mr. Han Guochen, holding RMB11.66 million registered capital or approximately 13.88% equity interest in Xinyi Iron and Steel;

Mr. Wong Zhenhai, holding RMB10.18 million registered capital or approximately 12.12% equity interest in Xinyi Iron and Steel; and

Tangshan Baotai, holding RMB4.00 million registered capital or approximately 4.76% equity interest in Xinyi Iron and Steel.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendors are third parties independent of the Company and its connected persons.

There is not any prior transaction among the Group, the Vendors, and Tangshan Baotai's ultimate beneficial owners which required aggregation with the transaction under Rules 14.22 of the Listing Rules.

Assets to be acquired

The Sale Equity, being 71% equity interest in Xinyi Iron and Steel; and

The Sale Debt, being 71% of the shareholders' loan owing by Xinyi Iron and Steel to Vendors as at Completion, which shall be RMB295,289,000.

Upon Completion, Xinyi Iron and Steel will become an indirect non-wholly owned subsidiary of the Company and the accounts of which will be consolidated into the consolidated accounts of the Group, as a result, both the assets and liabilities of the Group will be increased.

Consideration and payment terms

The consideration for Acquisition is RMB532,393,500 (“**Consideration**”), which shall be apportioned to the Sale Equity and the Sale Debt as follows:

- a) the consideration for the Sale Debt shall be the face amount of the Sale Debt; and
- b) the consideration for the Sale Equity equals to RMB237,104,500.

The Consideration shall be paid in cash to the Vendors on a pro-rata basis according to their percentage shareholding in Xinyi Iron and Steel in the following manner:

- a) a deposit of RMB100 million within 2 days upon signing of the Agreements;
- b) RMB300 million within 2 days upon completion of the business registration for the transfer of equity interest in Xinyi Iron and Steel by the relevant government authorities in the PRC; and
- c) The balance of RMB132,393,500 within 90 days upon completion of the business registration for the transfer of equity interest in Xinyi Iron and Steel by the relevant government authorities in the PRC.

The consideration was equal to 71% of 1.5 times of the Vendors’ total capital injection (being RMB499.9 million) which was arrived at after due diligence and arm’s length negotiations between the parties and taking into accounts of (i) the production capacity of Xinyi Iron and Steel; and (ii) the aggregate amount of the Vendor’s total capital injection, accumulated profits and accumulated depreciation being not less than RMB650 million as at 31 May 2008.

Jinxi Iron and Steel will settle the Consideration by cash from internal resources and/or borrowings.

Cooperation agreement

Upon Completion, Xinyi Iron and Steel will change its name to 唐山津西鑫益鋼鐵有限公司 (Tongshan Jinxi Xinyi Iron and Steel Company Limited*) and the board will comprise of three directors, two of them, including the chairman of the board and the legal representative, will be nominated by Jinxi Iron and Steel and the remaining one will be nominated by the Vendors.

Jinxi Iron and Steel also agrees to supply not less than 300,000 tonnes of imported iron ore per annum at prevailing market prices to Xinyi Iron and Steel.

INFORMATION OF XINYI IRON AND STEEL

Xinyi Iron and Steel is located in Hebei Province Tongshan City. It principally engages in the manufacturing and sale of iron and steel products. It has a registered capital of RMB84 million. Xinyi Iron and Steel currently has annual crude steel production capacity of 1,000,000 tonnes, a 650mm hot strip rolling line with annual rolling capacity of 1,000,000 tonnes, two sets of oxygen machine with annual oxygen production capacity of 130 million m³ and limestone plant with annual limestone production capacity of 400,000 tonnes. Based on the management accounts prepared under the generally accepted accounting principles in the PRC, the financial information of Xinyi Iron and Steel is shown as follows:

	As at 31 December 2006 In RMB	As at 31 December 2007 In RMB
Net asset value	<u>483.7 million</u>	<u>536.1 million</u>
Net profit /(loss) before and after taxation and extraordinary items	<u>(16.2) million</u>	<u>52.4 million</u>

REASONS FOR THE ACQUISITION

Xinyi Iron and Steel is a sizable domestic steel mill which is located close to Jinxi Iron and Steel. It has integrated production equipment with steel production capacity of 1,000,000 tonnes per annum. Following the Acquisition, the Group's total production capacity of steel products will be increased to 7,000,000 tonnes per annum, in line with the Group's plan to increase its steel production capacity.

In addition, some of the Vendors also own a medium and small-sized H-section steel production line (the "**H-section Steel Production Line**") which is under construction and is expected to commence operation in the forth quarter of 2008 with annual production capacity of 1,000,000 tonnes. Upon Completion, Xinyi Iron and Steel will have an option to purchase the H-section Steel Production Line at a price to be negotiated. This can further enhance our leadership in terms of production capacity in the H-section steel market in the PRC. In the event that the acquisition of the H-section Steel Production Line is materialised, the Company will comply with all the applicable requirements under the Listing Rules as and when necessary.

The Directors, including the independent non-executive Directors, consider that the Acquisition and the terms of Agreements thereof are fair and reasonable and on normal commercial terms and are in the interests of the Company and the shareholders of the Company as a whole.

GENERAL INFORMATION

As some of the relevant percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules.

A circular, containing among other things, further information in relation to the Acquisition and the Agreements, will be sent to the shareholders of the Company as soon as practicable.

DEFINITIONS

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

“Acquisition”	Acquisition of Sales Shares and Sale Debt by Jinxi Iron and Steel pursuant to the Agreements
“Agreements”	the sale and purchase agreement and the ancillary corporation agreement dated 4 August 2008 between Jinxi Iron and Steel and the Vendors in relation to the Acquisition
“Board”	the board of Directors of the Company
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange. Its principal activity is holding investments in iron and steel manufacturing companies in the PRC
“Completion”	completion of the Acquisition
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Jinxi Iron and Steel”	河北津西鋼鐵股份有限公司 (Hebei Jinxi Iron and Steel Company Limited*), a joint stock limited company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company. The principal activity is manufacture and sale of iron and steel products
“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 PRC
“Sale Debt”	71% of the shareholders’ loan owing by Xinyi Iron and Steel to Vendors

“Sale Equity”	71% of the equity interest in Xinyi Iron and Steel
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tangshan Baotai”	唐山寶泰鋼鐵集團有限公司 (Tangshan Baotai Iron and Steel Group Company Limited*), a limited company incorporated in the PRC. The principal activity is manufacture and sale of iron and steel products and investment holding
“Vendors”	Mr. Wong Zhenfu, Mr. Tan Yusang, Mr. Han Guochen, Mr. Wong Zhenhai and Tangshan Baotai
“Xinyi Iron and Steel”	唐山寶泰鋼鐵集團鑫益鋼鐵有限公司 (Tongshan Baotai Iron and Steel Group Xinyi Iron and Steel Company Limited*), a limited company incorporated in the PRC

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

Hong Kong, 12 August 2008

As at the date of this announcement, the Executive Directors are Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Liu Lei, Mr. Shen Xiaoling, Mr. Yu Jianshui and Mr. Zhu Hao and the Independent Non-executive Directors are Mr. Yu Tung Ho, Mr. Gao Qingju and Mr. Wong Man Chung, Francis.

This announcement is published on the websites of the Company (www.chinaorientalgroup.com) and the Stock Exchange (www.hkexnews.hk).

** For identification purposes only*