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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

Transactions under the Tenancy Agreement

The Board hereby announces that on 5 January 2015, Jinxi Special Steel entered into the Tenancy Agreement with Jinxi Wan Tong to lease the production facilities of Jinxi Wan Tong for a term of three year commencing on 26 November 2014 and expiring on 25 November 2017. Jinxi Wan Tong would be entitled to an annual fixed fee of RMB 204,000,000 to be prepaid in advance each year by Jinxi Special Steel plus sharing of 30% of the net profit but not the net loss of Jinxi Special Steel as the rental fee under the Tenancy Agreement. Jinxi Special Steel has the right to determine whether to renew the Tenancy Agreement starting from the second year. Currently Jinxi Limited leases from Jinxi Wan Tong its production facilities to attain an annual steel production capacity of 2,000,000 tonnes through such lease arrangement and the Group can maintain this production capacity by entering into the Tenancy Agreement.

Jinxi Wan Tong is currently a wholly owned subsidiary of Xin Ding Da which is 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 Tenancy Agreement do not constitute continuing connected transactions for the Company. However, on a voluntary basis, the Board hereby announces the transactions contemplated under the Tenancy Agreement.

The annual fixed fee of RMB 204,000,000 plus sharing of 30% of the net profit but not the net loss of Jinxi Special Steel under the Tenancy Agreement has been determined after taking into account of (i) the existing tenancy agreement entered into between Jinxi Limited and Jinxi Wan Tong for leasing the production facilities of Jinxi Wan Tong by Jinxi Limited at an annual rent of RMB169,200,000 plus the profit sharing of 30% but not the net loss arisen from the leasing of production facilities of Jinxi Wan Tong which was expired on 25 November 2014; (ii) the estimated a saving of electricity expenses and increase in profit of Jinxi Special Steel from the addition of buildings and 18MV electricity gas generator of the production facilities enhanced by Jinxi Wan Tong; (iii) the prevailing market price of the steel products produced through the lease of production facilities of Jinxi Wan Tong; (iv) the expected results of Jinxi Special Steel for the period from 26 November 2014 to 25 November 2017; and (v) the future inflation rates in the PRC.

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the transactions under the Tenancy Agreement is on an annual basis more than 5%. If the transactions contemplated under the Tenancy Agreement are regarded as continuing connected transactions, they will then be subject to reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

The Board (including independent non-executive Directors) are of the view that the Tenancy Agreement 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 Special Steel and Jinxi Wan Tong and the terms thereof together with the rental fee under Tenancy Agreement is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

TRANSACTIONS UNDER THE TENANCY AGREEMENT

The Board hereby announces that on 5 January 2015, Jinxi Special Steel entered into the Tenancy Agreement with Jinxi Wan Tong to lease the production facilities of Jinxi Wan Tong for a term of three year commencing on 26 November 2014 and expiring on 25 November 2017. Jinxi Wan Tong would be entitled to an annual fixed fee of RMB 204,000,000 to be prepaid in advance each year by Jinxi Special Steel plus sharing of 30% of the net profit but not the net loss of Jinxi Special Steel as the rental fee under the Tenancy Agreement. Jinxi Special Steel has the right to determine whether to renew the Tenancy Agreement starting from the second year. Currently Jinxi Limited leases from Jinxi Wan Tong its production facilities to attain an annual steel production capacity of 2,000,000 tonnes through such lease arrangement and the Group can maintain this production capacity by entering into the Tenancy Agreement.

Principal terms of the Tenancy Agreement

Date of Agreement

5 January 2015

Parties

- (i) Jinxi Wan Tong (as owner); and
- (ii) Jinxi Special Steel (as tenant);

Subject Matter

Jinxi Special Steel has agreed to lease from Jinxi Wan Tong the production facilities of Jinxi Wan Tong.

Term

From 26 November 2014 to 25 November 2017

Pricing Policy

The annual fixed fee of RMB 204,000,000 plus sharing of 30% of the net profit but not the net loss of Jinxi Special Steel under the Tenancy Agreement has been determined after taking into account of (i) the existing tenancy agreement entered into between Jinxi Limited and Jinxi Wan Tong for leasing the production facilities of Jinxi Wan Tong by Jinxi Limited at an annual rent of RMB169,200,000 plus the profit sharing of 30% but not the net loss arisen from the leasing of production facilities of Jinxi Wan Tong which was expired on 25 November 2014; (ii) the estimated a saving of electricity expenses and increase in profit of Jinxi Special Steel from the addition of buildings and 18MV electricity gas generator of the production facilities enhanced by Jinxi Wan Tong; (iii) the prevailing market price of the steel products produced through the lease of production facilities of Jinxi Wan Tong; (iv) the expected results of Jinxi Special Steel for the period from 26 November 2014 to 25 November 2017; and (v) the future inflation rates in the PRC.

Reasons and Benefits for Entering into the Tenancy Agreement

The terms of the Tenancy Agreement were arrived after arm's length negotiation between Jinxi Special Steel and Jinxi Wan Tong. As a result of the Tenancy Agreement, Jinxi Special Steel is able to gain access to the production facilities of Jinxi Wan Tong, which can maintain the Group's current total production capacity to a total of 11,000,000 tonnes of crude steel per annum, for a moderate and reasonable rental amount.

GENERAL INFORMATION OF THE PARTIES**Information of Jinxi Special Steel, Jinxi Limited and the Group**

Jinxi Special Steel is 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.

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 are principally engaged in the manufacturing and sale of iron and steel products and real estate business.

Information of Jinxi Wan Tong

Jinxi Wan Tong is a company established in the PRC and is currently a wholly owned subsidiary of Xin Ding Da which is 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 Tenancy Agreement do not constitute continuing connected transactions for the Company. Jinxi Wan Tong is principally engaged in the manufacturing and sale of iron and steel 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 transactions under the Tenancy Agreement is on an annual basis more than 5%. If the transactions contemplated under the Tenancy Agreement are regarded as continuing connected transactions, they will then be subject to reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules. However, on a voluntary basis, the Board hereby announces the transactions contemplated under the Tenancy Agreement.

The Board confirms that none of the Directors has a material interest in the Tenancy Agreement and the transactions contemplated thereunder and no Director has abstained from voting on the board resolutions approving the Tenancy Agreement and the transactions contemplated thereunder including the rental fee under Tenancy Agreement,.

The Board (including independent non-executive Directors) are of the view that the Tenancy Agreement 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 Special Steel and Jinxi Wan Tong and the terms thereof together with the rental fee under Tenancy Agreement is 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
“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
“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
“Jinxi Wan Tong”	遷西縣津西萬通球墨鑄管有限公司(Qianxi County Jinxi Wantong Ductile Iron Pipe Limited*), a company established in the PRC and a wholly owned subsidiary of Xin Ding Da. 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. Zhang Xin”	the director of and owner of 100% equity interests in Xin Ding Da. He is the nephew of Mr. Zhang Yuhai
“Mr. Zhang Yuhai”	the director of Tianjin Juli and Jinxi Special Steel. He is 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
“Tenancy Agreement”	a tenancy agreement dated 5 January 2015 and entered into between Jinxi Special Steel and Jinxi Wan Tong in respect of the lease of the production facilities of Jinxi Wan Tong by Jinxi Special Steel from Jinxi Wan Tong for a term of three years commencing on 26 November 2014 and expiring on 25 November 2017
“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

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

Hong Kong, 5 January 2015

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 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*