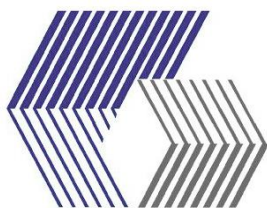


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CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code : 581)

**CONNECTED AND
DISCLOSEABLE TRANSACTION**

**ACQUISITION
OF ENTIRE EQUITY INTERESTS IN JINXI WAN TONG
BY JINXI SPECIAL STEEL**

Acquisition of Entire Equity Interests in Jinxi Wan Tong by Jinxi Special Steel

Reference is made to the announcement of the Company dated 5 January 2015, pursuant to which disclosure were made, inter alia, that Jinxi Special Steel leased the fixed assets from Jinxi Wan Tong.

The Board is pleased to announce that on 1 April 2016, Jinxi Special Steel entered into the Share Transfer Agreement with Xin Ding Da relating to the Acquisition pursuant to which Jinxi Special Steel has agreed to acquire from Xin Ding Da and Xin Ding Da has agreed to sell to Jinxi Special Steel the entire equity interest in Jinxi Wan Tong for the Consideration of approximately RMB262,843,700 in accordance with the terms therein contained.

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 a deemed connected person of the Company as he is the nephew of Mr. Zhang Yuhai who is a connected person of the Company by virtue of being a director of Jinxi Special Steel. Therefore, Mr. Zhang Xin and Xin Ding Da are connected persons of the Company and the Acquisition contemplated under the Share Transfer Agreement constitute a connected transaction for the Company.

Implications under the Listing Rules

As the relevant applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, the entering into of the Share Transfer Agreement and the Acquisition contemplated thereunder constitutes a connected and discloseable transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) Xin Ding Da is a connected person of the Company at the subsidiary level; (ii) the Acquisition under the Share Transfer Agreement is on normal commercial terms or better; (iii) the Board has approved the Acquisition and the Share Transfer Agreement; and (iv) the Directors, including all the independent non-executive Directors, have confirmed that the terms of the Share Transfer Agreement are fair and reasonable, and the Acquisition contemplated thereunder are on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole, the Share Transfer Agreement and the Acquisition contemplated thereunder is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Share Transfer Agreement and the Acquisition contemplated thereunder, and therefore none of them has abstained from voting on the board meeting approving the Share Transfer Agreement and the Acquisition contemplated thereunder.

After the Completion, Jinxi Wan Tong will become an indirect non-wholly owned subsidiary of the Company.

Acquisition of Entire Equity Interests in Jinxi Wan Tong by Jinxi Special Steel

Reference is made to the announcement of the Company dated 5 January 2015, pursuant to which disclosure were made, inter alia, that Jinxi Special Steel leased the fixed assets from Jinxi Wan Tong.

The Board is pleased to announce that on 1 April 2016, Jinxi Special Steel entered into the Share Transfer Agreement with Xin Ding Da pursuant to which Jinxi Special Steel has agreed to acquire from Xin Ding Da and Xin Ding Da has agreed to sell to Jinxi Special Steel the entire equity interest in Jinxi Wan Tong for the Consideration (as defined below) of approximately RMB262,843,700 in accordance with the terms therein contained (the "**Acquisition**").

THE SHARE TRANSFER AGREEMENT

Date

1 April 2016

Parties

Seller : Xin Ding Da

Purchaser : Jinxi Special Steel

THE ACQUISITION

Under the Share Transfer Agreement, Jinxi Special Steel agreed to acquire the entire equity interest in Jinxi Wan Tong from Xin Ding Da at the Consideration of RMB262,843,700 (equivalent to approximately HK\$314,953,000).

After the Completion, Jinxi Wan Tong will become an indirect non-wholly owned subsidiary of the Company.

Consideration

The total consideration payable by Jinxi Special Steel to Xin Ding Da for the Acquisition is RMB262,843,700 (equivalent to approximately HK\$314,953,000) (the “**Consideration**”), which will be payable in cash or cash equivalents.

As at 30 November 2015, the unaudited net asset value of Jinxi Wan Tong as prepared in accordance with the PRC accounting standards amounted to approximately RMB 125,800,000 (the “**Net Book Value**”). The appraised net asset value of Jinxi Wan Tong as stated in the appraisal report issued on 14 December 2015 by Tangshan Yongxin Assets Appraisal Company Limited* (唐山永信資產評估有限公司), a qualified assets valuer recognized in the PRC and an independent third party not connected with the Company and its connected persons (as defined in the Listing Rules), amounted to approximately RMB 262,800,000 as at 30 November 2015 (the “**Appraised Net Asset Value**”).

The Consideration for the Acquisition was determined after arm’s length negotiation between the parties with reference to the Appraised Net Asset Value. According to the corporate records of Jinxi Wan Tong, Xin Ding Da’s original acquisition cost of the entire equity in Jinxi Wan Tong was RMB 100,000,000. The Group has also taken into account the Tenancy Agreement between Jinxi Special Steel and Jinxi Wan Tong as a factor for the determination of the Consideration for the Acquisition. The value of the Consideration for the Acquisition represents a premium of approximately 108.9% over the Net Book Value.

The Consideration for the Acquisition is intended to be funded by the Group’s internal resources and bank borrowings and will be fully settled by cash or cash equivalents upon Completion.

COMPLETION

Completion shall take place within 30 days of the date of the Share Transfer Agreement. The Consideration under the Equity Transfer Agreement shall be fully settled upon Completion.

INFORMATION OF JINXI SPECIAL STEEL AND THE GROUP

Jinxi Special Steel is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. Jinxi Special Steel and the Group are principally engaged in the manufacturing and sale of steel products.

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 Jinxi Special Steel (an indirect non-wholly owned subsidiary of the Company). Therefore, Mr. Zhang Xin and Xin Ding Da are regarded as connected persons of the Company. The principal activity of Xin Ding Da is trading business.

INFORMATION OF JINXI WAN TONG

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 a deemed connected person of the Company as he is the nephew of Mr. Zhang Yuhai who is a connected person of the Company by virtue of being a director of Jinxi Special Steel. Therefore, Mr. Zhang Xin and Xin Ding Da are connected persons of the Company and the Acquisition contemplated under the Share Transfer Agreement constitute a connected transaction for the Company. Jinxi Wan Tong is principally engaged in the manufacturing and sale of iron and steel products.

Set out below is a summary of the unaudited financial information of Jinxi Wan Tong for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the general accepted accounting principles of the PRC:

	For the year ended 31 December 2013	For the year ended 31 December 2014
Other revenues	RMB146,115,000	RMB136,794,000
Profit/(loss) before tax	RMB512,000	(RMB31,441,000)
Profit/(loss) after tax	RMB371,000	(RMB23,582,000)
Net assets	RMB129,623,000	RMB107,820,000

REASONS FOR AND BENEFITS OF THE ACQUISITION

Currently Jinxi Special Steel leases from Jinxi Wan Tong its production facilities which are used for production of the Group's steel products at the annual rental of RMB 204,000,000 plus sharing of 30% of the net profit but not the net loss of Jinxi Special Steel pursuant to the Tenancy Agreement. Jinxi Special Steel attains an annual steel production capacity of 2,000,000 tonnes through such lease arrangement. With entering into the Share Transfer Agreement, the Acquisition will reduce the Group's future cash outflows in the long term by terminating rental payment under the Tenancy Agreement. Therefore, the Acquisition will help reducing the Group's production costs and future cash outflows, and securing the Group's annual steel production capacity of 2,000,000 tonnes.

The Directors (including the independent non-executive Directors) are of the view that the Share Transfer Agreement and the Acquisition 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 Xin Ding Da and the terms thereof together with the Acquisition under the Share Transfer Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the relevant applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, the entering into of the Share Transfer Agreement and the Acquisition contemplated thereunder constitutes a connected and discloseable transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) Xin Ding Da is a connected person of the Company at the subsidiary level; (ii) the Acquisition under the Share Transfer Agreement is on normal commercial terms or better; (iii) the Board has approved the Acquisition and the Share Transfer Agreement; and (iv) the Directors, including all the independent non-executive Directors, have confirmed that the terms of the Share Transfer Agreement are fair and reasonable, and the Acquisition contemplated thereunder are on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole, the Share Transfer Agreement and the Acquisition contemplated thereunder is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Share Transfer Agreement and the Acquisition contemplated thereunder, and therefore none of them has abstained from voting on the board meeting approving the Share Transfer Agreement and the Acquisition contemplated thereunder.

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 the Bermuda with limited liability and its issued Shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the sale and acquisition of the entire equity interest in Jinxi Wan Tong under the Share Transfer Agreement
“Director(s)”	director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“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 special 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
“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 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 Transfer Agreement”	the share transfer agreement dated 1 April 2016 entered into between Jinxi Special Steel and Xin Ding Da pursuant to which Jinxi Special Steel agreed to acquire from Xin Ding Da and Xin Ding Da agreed to sell to Jinxi Special Steel the entire equity interest in Jinxi Wan Tong
“Acquisition”	the acquisition of the entire equity interest in Jinxi Wan Tong by Jinxi Special Steel under the Share Transfer Agreement
“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
“Tenancy Agreement”	a framework 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 as disclosed in the announcement of the Company dated 5 January 2015
“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 and is wholly owned by Mr. Zhang Xin. 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, 1 April 2016

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. Ondra OTRADOVEC being the Non-Executive Director and Mr. WONG Man Chung, Francis and Mr. WANG Tianyi 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*