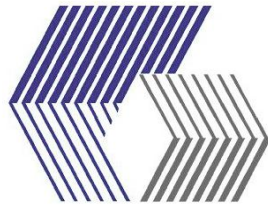


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CHINA ORIENTAL GROUP COMPANY LIMITED

中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code : 581)

PROFIT WARNING

China Oriental Group Company Limited made this announcement pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

Reference is made to the announcement of the Company dated 3 October 2012 pursuant to which disclosure was made, inter alia, that the Group was likely to incur a loss in the third quarter of 2012 and the performance of the Group in the fourth quarter of 2012 would not improve significantly if steel prices and operational environment for the steel manufacturing further deteriorated or did not improve. Despite the performance of the Group in the fourth quarter of 2012 did improve as compared with that of the third quarter of 2012, it still cannot improve the overall performance of the Group in the second half of 2012.

The Board wishes to inform the shareholders of the Company and potential investors that based on a preliminary review of the unaudited management accounts of the Group for the year ended 31 December 2012, the Board expects that the net profit for the year ended 31 December 2012 will be substantially lower than the net profit recorded in the year ended 31 December 2011.

The substantial decrease in net profit is mainly attributable to (1) the slowdown of the investment in steel related industries and the imbalance between the demand and the supply of the steel production capacity in Mainland China and the material fluctuation of the prices of major raw materials in 2012 which led to a significant decrease in the average selling prices and the gross profit of the steel products of the Group; and (2) the substantial loss incurred by Jinxi Jinlan, a subsidiary of the Company, due to the inappropriate operating decision made and poor risk management by the senior management of Jinxi Jinlan and the write-down in value of the inventories of Jinxi Jinlan in 2012. This is also a main reason for the decrease in the overall profitability of the Group.

Besides, as discovered by the internal control department of the Group, certain members of the senior management of Jinxi Jinlan breached their fiduciary duties apparently by, among others, (1) not imposing proper control on the construction costs against the bidding results which led to the prices of certain construction contracts exceeding the then market prices and resulted in economic losses directly to Jinxi Jinlan; and (2) without conducting due diligence check against the ownership of goods of an independent supplier (the “Supplier”), providing a prepayment of approximately RMB 18 million to the Supplier for placing order for the purchase of raw materials which led to potential impairment provision of the prepayment. As at the date of this announcement, Jinxi Jinlan was unable to recover the aforesaid sum either by way of obtaining delivery of the raw material ordered or getting refund of said sum (the “Incident”).

The Group had filed a litigation to the court located at the place of establishment of Jinxi Jinlan in relation to the Incident and the local PRC police authority had also placed the case on file for further investigation. As at the date of this announcement, the Group is still waiting for the investigation report from the local PRC police authority and the final court order.

After discovery of the above events by internal control department of the Group, the involved senior management and finance officer of Jinxi Jinlan were subsequently replaced and dismissed by the Group and the Group had also appointed and organized new senior management team and finance officer to operate Jinxi Jinlan. The Board is confident that the new senior management team can complete the operating targets of 2013 assigned by the Board

Although the above events led to a loss to the Group, since these events were discovered by the internal control department of the Group and were caused by the breach of fiduciary duties and the irresponsible acts by the senior management and finance officer of Jinxi Jinlan, the Board considers that this was an isolated case and the overall internal control system of the Group remains sound and effective. The Board will also further strengthen the internal control systems of all subsidiaries of the Group.

The Board considers the overall financial and operation status of the Group remain sound after taking into account of the amount of bank balance, unutilised banking facilities available to the Group and notes receivables (the settlement of the notes receivables were guaranteed by banks and readily convertible into cash) and the Incident did not cause material adverse impact to the operation and financial position of the Group. On the other hand, the Group will strive to maintain its competitiveness through continuous improvement in its production efficiency, adjustments in its steel product mix and reduction of other production costs.

The Company is still in the process of finalizing the Group’s audited consolidated annual results for the year ended 31 December 2012. The information contained in this announcement is only a preliminary assessment made by the Board based on the unaudited management accounts of the Group for the year ended 31 December 2012 and the information currently available to the Board which have not been reviewed nor audited by the Company’s independent auditors.

The audited annual results of the Group for the year ended 31 December 2012 will be announced in March 2013.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. Its principal activities are holding investments in iron and steel manufacturing companies in the People’s Republic of China
“Directors”	the directors of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“Jinxi Jinlan”	Foshan Jinxi Jin Lan Cold Rolled Sheet Company Limited, a company established in PRC with limited liability and a 87.5% indirectly owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SFO”	Securities and Futures Ordinance of Hong Kong, Chapter 571, Laws of Hong Kong

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“subsidiary” or “subsidiaries”

has the meaning ascribed to it under the Listing Rules

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

Hong Kong, 4 February 2013

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, Mr. Vijay Kumar Bhatnagar and Mr. Liu Lei being the Non-Executive Directors and Mr. Yu Tung Ho, 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 of Hong Kong Limited (www.hkexnews.hk).

**For identification purposes only*