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Date: 29 December 2004

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Pages: 3

**CHINA ORIENTAL INJECTS US\$17.88 MILLION IN JOINT VENTURE
TO EXPAND PRODUCT RANGE**

China Oriental Group Company Limited (“COGCL” or the “Group”, stock code: 581) announced expanding its business scope to the production of cold rolled steel sheet and galvanized steel sheet, by injecting US\$17.88 million in a joint venture company located in Foshan. The joint venture company, on the other hand, will purchase strips from Hebei Jinxi Iron and Steel Company Limited (“Jinxi Iron and Steel”), COGCL’s indirect non-wholly owned subsidiary, and to process such materials into cold rolled steel sheet or galvanized steel sheet.

Accordpower Investments Limited (“Accordpower”), a wholly-owned subsidiary of COGCL, entered into an Equity Transfer Agreement and Capital Increase Agreement with Foshan Jin Lan Aluminium (International) Co. Limited and Foshan Jin Lan Aluminium Co., Ltd. (“Foshan Jin Lan”) on 28 December 2004. Accordpower will purchase a 40 per cent equity interest in Foshan Jin Lan Cold Rolled Sheet Co., Ltd. (the “Joint Venture”) from Foshan Jin Lan Aluminium (International) Co. Limited for a total consideration of one HK dollar. Accordpower also entered into a New Joint Venture Agreement with Foshan Jin Lan on the same day. Upon completion of the agreements, Accordpower and Foshan Jin Lan will own 60 per cent and 40 per cent of the registered capital of the Joint Venture respectively.

Pursuant to the Equity Transfer and Capital Increase Agreement and the New Joint Venture Agreement, Accordpower will become the sole foreign partner of the Joint Venture. The total investment and registered capital of the Joint Venture will be increased to US\$29.8 million which will be contributed by Accordpower and Foshan Jin Lan in the proportion of 60 per cent and 40 per cent respectively. The Joint Venture, currently known as “Foshan Jin Lan Cold Rolled Sheet Co., Ltd.” will be renamed as “Foshan Jin Xi Jin Lan Cold Rolled Sheet Co., Ltd.” upon completion of the agreements.

Accordpower will inject a total of US\$17.88 million as registered capital of the Joint Venture in two installments, expected to be completed by March 2005. The capital injection will be satisfied by COGCL’s listing proceeds. Foshan Jin Lan will inject a total of US\$11.92 million assets comprising land use rights of approximately 400 mu,

buildings of 40,000 square metres, machinery facilities, and cash as registered capital.

The signing of the Equity Transfer and Capital Increase Agreement and the New Joint Venture Agreement will enable the Group to acquire a subsidiary capable of producing cold rolled steel sheet and galvanized steel sheet, thereby enabling the Group to broaden its product range to achieve vertical integration.

The Joint Venture will be principally engaged in the production and sales of cold rolled steel sheet and galvanized steel sheet. The annual production capacity of the Joint Venture is expected to be around 400,000 tonnes for cold rolled steel sheet and around 180,000 tonnes for galvanized steel sheet.

Pursuant to the New Joint Venture Agreement, Accordpower will assist the Joint Venture to enjoy the market price of the strips sold by Jinxi Iron and Steel, to third party in Guangdong Province. Strips purchased by the Joint Venture will be further processed into cold rolled steel sheet or galvanized steel sheet. Based on an annual production capacity of the Joint Venture, the mid-width strips required will be approximately 450,000 tonnes per annum. Based on the unaudited average selling price of the mid-width strips in November 2004, the total purchase from the Joint Venture may reach RMB1.45 billion.

“In addition to expanding the Group’s product portfolio, the acquisition of the Joint Venture is also expected to enlarge the stable income sources of the Group, and is expected to enhance the Group’s return to shareholders. The Joint Venture, on the other hand, can secure a reliable supply of raw materials through the transaction,” said Mr Han Jingyuan, Chairman and Chief Executive Officer of COGCL.

“We have great confidence in the development potential and profitability of the cold rolled steel sheet market in the People’s Republic of China (“PRC”). The Group will be able to further expand its income source from the downstream market upon the commencement of the Joint Venture’s plant in March 2005,” added Mr Han.

“Following the Group’s RMB1.3 billion investment in August for the construction of a production line for larger size H-section steel with an annual production capacity of approximately 1 million tonnes, the aforementioned investment in cold rolled steel sheet and galvanized steel sheet with higher profit margin is the Group’s latest move to realize the strategy of finetuning its product mix by introducing higher value-added products,” Mr Han said.

About COGCL

China Oriental Group Company Limited is one of the PRC's largest suppliers of steel billets. Listed on The Stock Exchange of Hong Kong Limited on 2 March 2004, the Group is principally engaged in the manufacture and sale of billets and strips. The Group is one of the PRC's most efficient steel producers. Strategically located in one of Hebei Province's richest iron ore mining areas, the Group enjoys easy and reliable access to raw materials and proximity to railways and ports. The Group's products are mainly sold domestically, with its major customers based in Northern China. Customers of the Group are downstream steel manufacturers who further process billets and strips into downstream steel products, which are used mainly in the construction industry and for the manufacture of machinery.

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Issued by: China Oriental Group Company Limited
Through: CorporateLink Limited