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CHINA ORIENTAL'S SHAREHOLDERS ARE ADVISED TO TAKE NO ACTION IN RESPECT OF SMART TRIUMPH'S OFFER

China Oriental Group Company Limited ("China Oriental", or "the Company", Stock Code: 581) has published an announcement in response to the voluntary conditional offer (the "Offer") made by Smart Triumph Corporation (the "Offeror") for all the shares of China Oriental. The announcement stated that China Oriental's controlling shareholder, Wellbeing Holdings Limited ("Wellbeing"), currently has no intention to accept the Offer. The executive directors (other than Ms Chen Ningning) of China Oriental has strongly advised its shareholders to take no action in respect of the Offer.

According to China Oriental's announcement, the Offeror made an unsolicited offer without having obtained the support of the Board of the Company (the "Board"). The consideration for the Offer also represents a discount of 8 per cent to the market price of China Oriental's shares as at 5 July 2007. The announcement further points out that the consideration (HK\$2.00 per share in cash and HK\$1.00 face value of exchangeable bonds) is not entirely in cash, and includes exchangeable bonds that are unrated and will not be listed on any stock exchange.

Furthermore, Wellbeing, the controlling shareholder who owns approximately 42.78 percent of China Oriental, has informed China Oriental that currently it has no intention to accept the Offer. Wellbeing also noted that it has received a letter from Jinxi Labour Union, a body representing a large proportion of the employees of Hebei Jinxi Iron and Steel Company Limited ("Hebei Jinxi"). Hebei Jinxi is the main operating subsidiary of China Oriental. In the letter, the Jinxi Labour Union stated that the Offer is not in the employees' best interest and that it strongly urges Wellbeing to reject the Offer. A number of Hebei Jinxi employees, through a trust arrangement, hold approximately 16.3 per cent of the issued share capital in Wellbeing. The Company is of the view that its relationship with Hebei Jinxi's employees has been and will continue to be important to the overall operations of China Oriental.

The Board noted that the Company's business operations and the outlook for the Company's financial position are positive as the Company's production volume is increasing in line with its management's expectations with its focus on the sales of higher margin H section steel which commenced production in late August 2006. The Offer has not had any impact at all on the Company's business operations, production, supply of iron ore and its sales relationship with its customers.

In addition, the general market prices for H section steel during the first half of 2007 continue to experience an upward trend.

For the above reasons, pending the recommendations of the Company's independent board committee and independent financial adviser, the executive Directors (other than Ms Chen Ningning) of China Oriental has strongly advised China Oriental's shareholders to take no action in respect of the Offer.

China Oriental has appointed Evolution Watterson Securities Limited as the independent financial adviser to advise the independent board committee in respect of the Offer.

About China Oriental

Listed on 2 March 2004, the Group is one of China's most efficient iron and steel producers. China Oriental's plant is located in one of the richest iron ores in Hebei Province with proximity to deep-water ports and railways. Such quality geographical location ensures the reliability and stability of access to raw materials as well as the supply and transportation of products. The Group's products are mainly sold in China to downstream iron and steel manufacturers, who are all located in northern China and further process the Group's billets and strips into downstream steel products primarily used in the construction and machinery manufacturing industries. To diversify the iron and steel product mix and achieve business integration, China Oriental is also engaged in the production of other downstream products such as cold rolled sheets, galvanised sheets and H-section steel.

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