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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)

DISCLOSEABLE TRANSACTION REGARDING PROPOSED INVESTMENT IN BANK OF CANGZHOU

The Board announces that on 12 August 2016, Oriental Green, an indirect non-wholly owned subsidiary of the Company, entered into the Investment in Shares Agreement with Bank of Cangzhou, an Independent Third Parties of the Group relating to the Investment pursuant to which Oriental Green agreed to invest and subscribe for, and Bank of Cangzhou agreed to issue and allot 100,000,000 Ordinary Shares of Bank of Cangzhou for the Consideration of approximately RMB230 million. The payment of the Consideration will be financed by the Group's internal financial resources. Completion date is expected to be on or before 31 August 2016.

As the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment are more than 5% but less than 25%, the Investment in Shares Agreement constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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PRINCIPAL TERMS OF THE INVESTMENT IN SHARES AGREEMENT

Date

12 August 2016

Parties

Issuer : Bank of Cangzhou

Subscriber : Oriental Green

Subject Matter - Investment

Pursuant to the Investment in Shares Agreement, Oriental Green agreed to invest and subscribe for and Bank of Cangzhou agreed to issue and allot 100,000,000 Ordinary Shares of Bank of Cangzhou. According to the Prospectus issued by Bank of Cangzhou, they intended to issue 1,000,000,000 Ordinary Shares for private subscription at a price of RMB 2.3 per Ordinary Share. The 100,000,000 Ordinary Shares represent approximately 3.0% of the enlarged issued share capital of Bank of Cangzhou after completion of the private subscription. Completion date is expected to be on or before 31 August 2016.

Consideration and Payment for the Investment

The Consideration for the Investment is approximately RMB230,000,000, which shall be payable in full by Oriental Green on or before 31 August 2016 in accordance with the manner as set out in the Prospectus. The payment of the Consideration will be financed by the Group's internal financial resources.

Information of Oriental Green and the Group

Oriental Green is a limited company established in the PRC and is an indirectly non-wholly owned subsidiary of the Company. Oriental Green is principally engaged in environmental protection engineering.

The Company is an investment holding company. As at the date of this announcement, the Group is principally engaged in the manufacturing and sales of steel products, trading of steel products and iron ore and real estate business.

Information of Bank of Cangzhou

Bank of Cangzhou was founded in 1998, formally known as Cangzhou City Commercial Bank Company Limited and changed its name to Bank of Cangzhou Company Limited in July 2009. It is principally engaged in providing corporate and personal banking services in Hebei Province, PRC. As at the date of announcement, there are approximately 75 branches across the Cangzhou City and nearby areas. The proceeds raised from the private subscription will be used in enhancing the capital, capital adequacy ratio level, risk tolerance capability and overall competence of the Bank of Cangzhou.

To the best of the Directors' knowledge, information and belief, have made all reasonable enquiries, Bank of Cangzhou and its respective ultimate beneficial owners are Independent Third Parties of the Group.

The following is the financial information of the Bank of Cangzhou as extracted from its audited financial statements prepared in accordance with the PRC GAAP for the year ended 31 December 2015 and 2014 respectively:

	For the financial year ended 31 December 2015 RMB'000	For the financial year ended 31 December 2014 RMB'000
Net profit before taxation	978,364	862,435
Net profit after taxation	724,603	649,130

Based on the extracted audited financial statements, the net asset value of the Bank of Cangzhou as at 31 December 2015 was approximately RMB4.8 billion.

REASONS FOR AND BENEFITS OF THE INVESTMENT IN SHARES AGREEMENT WITH BANK OF CANGZHOU

The Group is principally engaged in the manufacturing and sales of steel products, trading of steel products and iron ore and real estate business.

The Board considers that (i) the Investment will be financed by the Group's internal financial resources, and is expecting the Investment will bring along the Group with positive effect on the financial performance and operating cash flow. In addition, it would let the Group further strengthen its cooperation relationship with the Bank of Cangzhou and achieve a complementary strategy; (ii) the Investment provides a reasonable return to the Group; and (iii) the risks with the Investment is acceptable.

The terms including the Consideration for the Investment was negotiated on an arm's length basis. Having considered these factors, the Directors, including the Independent Non-executive Directors but other than Mr. Ondra OTRADOVEC (Non-Executive Director of the Company, "**Mr. Otradovec**") and Mr. WONG Man Chung, Francis (Independent Non-Executive Director of the Company, "**Mr. Wong**"), consider that the terms of the Investment under the Investment in Shares Agreement (including the Consideration) are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

DISAGREEMENT WITH THE INVESTMENT

Mr. Otradovec and Mr. Wong, after due consideration of all the following factors, including but not limited to (a) the risk and reward of the Investment; (b) the Company's financial performance and cash flow status; and (c) the possible cancellation of listing of the Company by the Stock Exchange if the public float issue is not remedied by 27 January 2017 pursuant to the announcement of Stock Exchange dated 27 July 2016, do not consider the Investment is in the interests of the Company and its Shareholders as a whole.

Considering the disagreement proposed by Mr. Otradovec and Mr. Wong, the Company's related project team carried out further due diligence and evaluation work in various areas of the Investment. Further review was conducted in the management meeting of the Company and finally submitted the Investment for the review of the Board. The Directors, including the Independent Non-executive Directors but other than Mr. Otradovec and Mr. Wong, considered that (a) the risk and reward of the Investment is reasonable. According to the Prospectus, the return on equity of Bank of Cangzhou for the year ended 31 December 2015, 2014 and 2013 are approximately 16%, 20% and 19% respectively. The Company is expecting the return on equity of Bank of Cangzhou will maintain at 10% to 16% for the year ended 31 December 2016 and subsequent years; Further, China Banking Regulatory Commission imposes stringent regulatory framework on commercial banks in China. In addition, after completion of the legal and financial due diligence on Bank of Cangzhou, the findings is its assets are in good quality and there are no material issues or risks. The Investment risk is acceptable; (b) the Investment will be financed by the Group's internal financial resources, and is expecting the Investment will bring along the Group with positive effect on the financial performance and operating cash flow. In addition, it would let the Group further strengthen its cooperation relationship with the Bank of Cangzhou and achieve a complementary strategy; (c) the Investment is in the interests of the Company and its Shareholders as a whole.

Notwithstanding the aforesaid, the Board has reviewed and considered the above factors, approved the terms of the Investment under the Investment in Shares Agreement in accordance with the requirements of the Company's bye-laws.

IMPLICATION UNDER THE LISTING RULES

As the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment are more than 5% but less than 25%, the Investment in Shares Agreement constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Bank of Cangzhou”	Bank of Cangzhou Company Limited 滄州銀行股份有限公司, was founded in 1998, formally known as Cangzhou City Commercial Bank Company Limited 滄州市商業銀行有限公司 and changed its name to Bank of Cangzhou Company Limited in July 2009. It is principally engaged in providing corporate and personal banking services in Hebei Province, PRC and an Independent Third Party of the Group
“Board”	the board of Directors

“Business Day(s)”	any day excluding a Saturday, a Sunday or public holiday in the PRC determined by the State Council of PRC
“Company”	China Oriental Group Company Limited, a company incorporated in the Bermuda with limited liabilities and its issued Shares are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is(are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Group
“Investment”	pursuant to an Investment in Shares Agreement, Oriental Green agreed to invest and subscribe for, and Bank of Cangzhou agreed to issue and allot for 100,000,000 Ordinary Shares of Bank of Cangzhou for a consideration of approximately RMB230 million
“Investment in Shares Agreement”	an investment in shares agreement dated 12 August 2016 entered into between Oriental Green and Bank of Cangzhou relating to Oriental Green investing and subscribing for the 100,000,000 Ordinary Shares to be issued by Bank of Cangzhou
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Shares”	The shares of Bank of Cangzhou with a par value of RMB 1.00
“Oriental Green”	Oriental Green Energy-Saving Environmental Protection Engineering Company Limited 東方綠源節能環保工程有限公司, a limited company established in the PRC and is an indirectly non-wholly owned subsidiary of the Company. Its principally engaged in environmental protection engineering
“PRC”	the People’s Republic of China

“Prospectus”	a prospectus issued by Bank of Cangzhou dated May 2016 for the purpose of private subscription of the Ordinary Shares of Bank of Cangzhou
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 12 August 2016

All the Directors of the Company, other than Mr. Ondra OTRADOVEC and Mr. WONG Man Chung, Francis who expressed disagreement in this announcement, jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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, Mr. WANG Tianyi and Mr. WANG Bing 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*