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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE FORMATION OF JOINT VENTURES

The Company makes this announcement pursuant to Rule 13.09(2) of the Listing Rules and the “Inside Information Provision” (as defined under the Listing Rules) under Part XIVA of the SFO.

The Board would like to announce that on 2 August 2016 (after trading hours), the Company and Oriental Sheet Piling, a connected person of the Company, entered into a legally binding MOU to set forth the parties’ understanding with regard to the possible formation of the Two Joint Ventures to engage in production and sales of steel sheet piles products respectively.

The Board wishes to emphasise that the Proposed Cooperation may or may not proceed. The transactions contemplated under the Proposed Cooperation, if materialized, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and/or a connected transaction for the Company under Chapter 14A of the Listing Rules. The Company will make further announcement in respect of the Proposed Cooperation as and when appropriate in accordance with the Listing Rules.

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

The Company makes this announcement pursuant to Rule 13.09(2) of the Listing Rules and the “Inside Information Provision” (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”).

INTRODUCTION

The Board would like to announce that on 2 August 2016 (after trading hours), the Company and Oriental Sheet Piling, a connected person of the Company, entered into a legally binding MOU to set forth the parties’ understanding with regard to the possible formation of the Two Joint Ventures to engage in production and sales of steel sheet piles products respectively.

MEMORANDUM OF UNDERSTANDING (“MOU”)

Principal terms of the MOU

Date of MOU

2 August 2016

Parties

- (i) The Company; and
- (ii) Oriental Sheet Piling;

The Two Joint Ventures

Subject to the entering into of the definitive agreement(s), it is currently contemplated that a Production Joint Venture and a Sales Joint Venture will be established for the production and sales of steel sheet piles products in PRC respectively:

The Production Joint Venture

The Company will indirectly hold majority interests whereas Oriental Sheet Piling will hold the remaining minority interests of the Production Joint Venture. It is intended that the Production Joint Venture will operate in the current premises of Jinxi Limited and the main product will encompass various steel sheet piles products. All steel sheet piles products produced by the Production Joint Venture and other subsidiaries of the Company will be sold to the Sales Joint Venture at the prevailing market price. The sales of other products other than steel sheet piles products produced by the Production Joint Venture will be managed by the Company.

The Sales Joint Venture

Oriental Sheet Piling will hold majority interests whereas the Company will indirectly hold the remaining minority interests of the Sales Joint Venture. It is intended that the Sales Joint Venture will be the exclusive and designated sales agent of the sheet pile products produced by the Production Joint Venture and other subsidiaries of the Company.

The commercial production of steel sheet piles products is expected to start not later than January 2018.

Binding Effect

The MOU is legally binding and it does oblige the Company and Oriental Sheet Piling thereto to proceed with a definitive agreement with respect to the Proposed Cooperation. The terms of the Proposed Cooperation are yet to be determined and are subject to further negotiations between the parties thereto.

GENERAL INFORMATION OF THE PARTIES

Information of the Company and the Group

The Company is a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange. The Company is an investment holding company. 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 Oriental Sheet Piling

Oriental Sheet Piling is a company incorporated in Malaysia with limited liability and is principally engaged in the processing, distribution and trading of finished steel products.

Oriental Sheet Piling is a subsidiary of ArcelorMittal which indirectly holds the entire equity interest of ArcelorMittal Holdings AG, a substantial shareholder of the Company. Therefore, Oriental Sheet Piling is a connected person of the Company. The transactions contemplated under the Proposed Cooperation, if materialized, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and/or a connected transaction for the Company under Chapter 14A of the Listing Rules.

As Mr. Ondra Otradovec, a non-executive Director of the Company, is also the Global Head of Mergers & Acquisitions of ArcelorMittal, Mr. Otradovec has abstained from voting on the relevant resolution approving the MOU nor has he been counted in the quorum of the relevant Board meeting pursuant to the Company's bye-laws.

REASONS FOR AND BENEFITS OF THE PROPOSED FORMATION OF THE TWO JOINT VENTURES

According to the financial result for the year ended 31 December 2015 of the Company, the sales from steel sheet pile products was RMB 333 million, contributing approximately 1.75% of the turnover from sale of self-manufactured steel products. The gross profit margin from sales of steel sheet pile products was approximately 6.5%, which was the highest amongst the major products of the Group's self-manufactured steel products. The Company believes there are significant business development potential in the steel sheet pile products segment and accordingly, the investment in the Proposed Cooperation can give the Company an opportunity to diversify its revenue sources, expand the business of the Group and improve its profitability.

GENERAL

The Board wishes to emphasise that the Proposed Cooperation may or may not proceed. The transactions contemplated under the Proposed Cooperation, if materialized, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and/or a connected transaction for the Company under Chapter 14A of the Listing Rules. The Company will make further announcement in respect of the Proposed Cooperation as and when appropriate in accordance with the Listing Rules.

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

DEFINITIONS

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

“ArcelorMittal”	a company incorporated under the laws of Luxembourg with limited liability and indirectly holding the entire equity interest in ArcelorMittal Holdings AG
“ArcelorMittal Holdings AG”	a company incorporated in Switzerland with limited liability and holding approximately 46.99% of the issued share capital of the Company, and therefore is a substantial shareholders of the Company
“Board”	the board of Directors
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“Jinxi Limited”	Hebei Jinxi Iron and Steel Group Company Limited, a limited company established in the PRC and a 97.6% indirectly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the memorandum of understanding dated 2 August 2016 entered into between the Company and Oriental Sheet Piling in relation to the Proposed Cooperation
“Oriental Sheet Piling”	Oriental Sheet Piling Sdn. Bhd., a company incorporated in Malaysia with limited liability and a subsidiary of ArcelorMittal
“PRC”	the People’s Republic of China
“Production Joint Venture”	the contemplated joint venture to be established by the Company and Oriental Sheet Piling for the production of various steel sheet piles products in PRC
“Proposed Cooperation”	the proposed cooperation between the Company and Oriental Sheet Piling in relation to formation of the Two Joint Ventures
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Sales Joint Venture”	the contemplated joint venture to be established by the Company and Oriental Sheet Piling for the sales of various steel sheet piles products
“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
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Two Joint Ventures”	collectively, the contemplated Production Joint Venture and Sales Joint Venture to be established by the Company and Oriental Sheet Piling

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

Hong Kong, 2 August 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, 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*