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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2017 ANNUAL RESULTS AND DISCLOSEABLE TRANSACTION IN RELATION TO SUBSCRIPTION OF FUND

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Board wishes to provide additional information in respect of the Group's financial assets at fair value through profit or loss as disclosed in note 18 to the consolidated financial statements in the 2017 Results Announcement. As at 31 December 2017, the Group held financial assets at fair value through profit or loss of approximately RMB2,766.2 million.

DISCLOSEABLE TRANSACTION

During the Relevant Period, the Group had subscribed for various fund units of the Harvest Funds. The maximum cumulative amount of outstanding investment of the Group with the Harvest Fund Manager during the Relevant Period was RMB1,781.2 million. As the highest applicable percentage ratio in respect of the Relevant Harvest Subscription exceeds 5% but less than 25%, the Relevant Harvest Subscription constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Due to an oversight, the Company had not previously disclosed the details of the Relevant Harvest Subscription in a timely manner in accordance with the Listing Rules.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Reference is made to the announcement of China Oriental Group Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 28 March 2018 in relation to the audited consolidated results of the Group for the year ended 31 December 2017 (the "**2017 Results Announcement**"). The board of directors (the "**Board**") of the Company wishes to provide the following additional information in respect of the Group's financial assets at fair value through profit or loss as disclosed in note 18 to the consolidated financial statements in the 2017 Results Announcement. Unless stipulated otherwise, terms used in this announcement shall have the same meanings as given to them in the 2017 Results Announcement.

As at 31 December 2017, the Group held financial assets at fair value through profit or loss of approximately RMB2,766.2 million, particulars of which are set out below:

Money Market Funds

Name of the financial assets	Number of Units held as of 31 December 2017 ('000)	Investment cost as of 31 December 2017 (RMB'000)	Fair value as of 31 December 2017 (RMB'000)	Realised investment income/(loss) for the year (RMB'000)
Harvest Express Monetary Market Fund (嘉實快綫貨幣市場基金)	499,321	499,321	501,284	29,400
Harvest HuoQiBao Monetary Market Fund (嘉實活期寶貨幣市場基金)	168,560	168,560	168,560	
Harvest ZengYiBao Monetary Market Fund (嘉實增益寶貨幣市場基金)	121,662	121,662	121,789	
Harvest Monetary Market Fund (嘉實貨幣市場基金)	10,000	10,000	10,072	
CCB Jianxin Cash TianZengLi Monetary Market Fund (建設銀行-建信現金添利貨幣市場基金)	N/A	2,700	2,700	-
CCB YiFangDa TianTianZengLi A Monetary Market Fund (建設銀行-易方達天天增利貨幣市場基金A)	N/A	3,000	3,000	-
CCB YiFangDa TianTianZengLi B Monetary Market Fund (建設銀行-易方達天天增利貨幣市場基金B)	N/A	40,000	40,000	-
Huaxia CaiFuBao Monetary Market Fund (華夏財富寶貨幣市場基金)	61,156	61,156	61,156	2,338
ZhongRong Cash Zengli Monetary Market Fund (中融現金增利貨幣市場基金)	390,632	390,632	390,632	320

Investment strategies of money market funds

Harvest Express Monetary Market Fund* (嘉實快綫貨幣市場基金) tracks and analyses changes in market funds and investors trading behaviors and combines macro and micro studies to formulate its investment strategies. It seeks to achieve higher current returns while satisfying safety and liquidity needs.

Harvest HuoQiBao Monetary Market Fund* (嘉實活期寶貨幣市場基金) determines the average remaining period (long/medium/short) and distribution of its portfolio assets according to macroeconomic indicators (including mainly market capital supply and demand levels, interest rate levels and market expectations, inflation rates, GDP Growth rates, money supplies, employment rates, international market interest rates, exchange rate, etc.). It determines the investment ratios of each investment assets in the portfolio based on the liquidity nature of each asset (including mainly daily trading volume, trading platforms, holdings of institutional investors, amount of repurchases and pledges, etc.). It determines portfolio risk level based on investment assets' credit rating and collaterals provided.

Harvest ZengYiBao Monetary Market Fund* (嘉實增益寶貨幣市場基金) tracks and analyses changes in market funds and investors trading behaviors and combines macro and micro studies to formulate its investment strategies. It seeks to achieve higher current returns while satisfying safety and liquidity needs.

Harvest Monetary Market Fund* (嘉實貨幣市場基金) determines the remaining period (long/medium/short) and distribution of its debentures portfolio according to macroeconomic indicators (including mainly interest rate levels, inflation rates, GDP Growth rates, money supplies, employment rates, international market interest rates, exchange rate, etc.). It determines the investment ratios of each assets in the portfolio based on the liquidity nature of each asset (including mainly daily trading volume, trading platforms, holdings of institutional investors, amount of repurchases and pledges, subdivision and conversion progress, etc.). It determines portfolio risk level based on bonds' credit rating and collaterals provided.

CCB Jianxin Cash TianLi Monetary Market Fund* (建設銀行-建信現金添利貨幣市場基金) adopts active investment strategies, such as individual bond selection and interest rate strategy, to explore and utilise investment opportunities arising from market imbalances to achieve portfolio value added subject to strict risk control.

Each of CCB YiFangDa TianTianZengLi A Monetary Market Fund* (建設銀行-易方達天天增利貨幣市場基金A) and CCB YiFangDa TianTianZengLi B Monetary Market Fund* (建設銀行-易方達天天增利貨幣市場基金B) actively manages its asset portfolio. Based on its in-depth study of the macroeconomic trends in China and abroad, the trend of monetary policy, and the supply and demand situation of market funds, it will comprehensively consider the profitability, liquidity, and risk characteristics of various investment categories, and strive to achieve higher than performance benchmark returns.

Huaxia CaiFuBao Monetary Market Fund* (華夏財富寶貨幣市場基金) determines its fund asset spread between bonds and bank deposits and other assets based on the comprehensive judgment of the macroeconomic operating conditions, policy situation, credit ratings, interest rate trends, changes in capital supply and demand, etc., as well as the liquidity characteristics, risk income, and valuation level characteristics of various assets. It will also make dynamic adjustment wherever appropriate.

ZhongRong Cash Zengli Monetary Market Fund* (中融現金增利貨幣市場基金) follows the macroeconomic trends, monetary policy, short-term capital market conditions and other factors to make overall judgement on interest rate trend, and dynamically adjust the average residual maturity of the fund's investment portfolio based on interest rate expectations, and strives to achieve higher profitability while satisfying security and liquidity needs.

Financial Investment Products

Name of the financial assets	Number of Units held as of 31 December 2017 (*Note 1*) ('000)	Investment cost as of 31 December 2017 (RMB'000)	Fair value as of 31 December 2017 (RMB'000)	Realised investment income/(loss) for the year (RMB'000)
William Funds (威廉金控併購25號及威廉金控併購43號投資基金)	-	-	-	700
Mingsheng Bank - Feifan Asset Management ZengZengRiShang Financial Investment Product (民生銀行-非凡資産管理增增日上收益遞增理財産品對公款)	N/A	427,500	427,500	-
Mingsheng Bank - Feifan Asset Management TianYiJin Financial Investment Product A (民生銀行-非凡資産管理天溢金對公機構A款)	N/A	130,000	130,000	-
CCB QianYuan TianTianYing Financial Investment Product (建設銀行-乾元-天天盈開放式資産組合型人民幣理財産品)	N/A	68,200	68,200	1,760
CCB QianYuan ZhouZhouLi Financial Investment Product (建行銀行-乾元-周周利開放式資産組合型保本人民幣理財産品)	N/A	28,101	28,101	35
Bank of Communications RiZengLi Financial Investment Product (交通銀行-蘊通財富•日增利人民幣理財産品)	N/A	780,000	780,000	1,513
Bank of Communications JiuJiuRiYing Financial Investment Product (交通銀行-蘊通財富•久久養老日盈人民幣理財産品)	-	-	-	269
Taoyuan Fund (桃園一號私募投資基金)	-	-	-	14,471

Note:

1. *Due to the nature of this type of financial assets, investment in financial investment products is presented by way of fair value instead of units.*

Investment strategies of financial investment products

William Funds* (威廉金控併購25號及威廉金控併購43號投資基金) strive to realise a long-term and stable appreciation of funds through investments in secondary markets and bridge loans under the premises of strict risk control.

Each of Mingsheng Bank - Feifan Asset Management ZengZengRiShang Financial Investment Product* (民生銀行-非凡資產管理增增日上收益遞增理財產品對公款) and Mingsheng Bank - Feifan Asset Management TianYiJin Financial Investment Product A* (民生銀行-非凡資產管理天溢金對公機構A款) adopts investments strategies with priority in security and liquidity while pursuing an appropriate level of returns. Accordingly, in order to meet safety and liquidity requirements, it will invest in interbank bond market circulation bonds, money market funds, bond funds, funds with investment target in bonds or broker-oriented asset management plans, deposits, bond repurchases, etc.. On this basis, it will conduct reasonable allocations of debt assets, equity assets, other assets or asset combinations that comply with regulatory requirements, so as to further increase the return level.

CCB QianYuan TianTianYing Financial Investment Product* (建設銀行-乾元-天天盈開放式資產組合型人民幣理財產品) will invest in financial instruments such as PBOC bills, debentures, bank notes and trust financing interests on the interbank bond market, so as to enable funds to realise higher returns than that of deposits.

CCB QianYuan ZhouZhouLi Financial Investment Product* (建行銀行-乾元-周周利開放式資產組合型保本人民幣理財產品) will invest in government bonds, financial bonds, PBOC bills, corporate short-term financing bills, ultra-short-term financing bills, medium-term notes, enterprise bonds, corporate bonds, private bonds, bonds reverse repurchases, money lending, borrowing and depositing bonds and money market instrument assets, debt assets, as well as other assets in compliance with relevant regulatory requirements.

Bank of Communications RiZengLi Financial Investment Product* (交通銀行-蘊通財富•日增利人民幣理財產品) adopts an investment strategy that prioritises safety and liquidity with consideration given to profitability. Its asset portfolio comprises a majority of assets such as bonds and money market instruments that have high liquidity and high investment grades. It strives to achieve stable returns through portfolio management.

Bank of Communications JiuJiuRiYing Financial Investment Product* (交通銀行-蘊通財富•久久養老日盈人民幣理財產品) adopts an investment strategy that prioritises safety and liquidity with consideration given to profitability. Its asset portfolio comprises a majority of assets such as bonds and money market instruments that have high liquidity and high investment grades with a portion of investments in trust schemes and other assets that enjoy a relatively higher return. It strives to achieve stable returns through portfolio management.

Taoyuan Fund* (桃園一號私募投資基金) adopts an investment strategy with three key components, being core investment categories, sector allocation and position matching. The fund manager will constantly optimise the portfolio on the premises of core investment strategies. It will apply different investment trading strategies according to different types of investment targets.

Bond Market Funds

Name of the financial assets	Number of Units held as of 31 December 2017 ('000)	Investment cost as of 31 December 2017 (RMB'000)	Fair value as of 31 December 2017 (RMB'000)	Realised investment income/(loss) for the year (RMB'000)
Value Partners Greater China High Yield Income Fund	481	33,243	33,243	-

Investment strategies of Bond Market Funds

Value Partners Greater China High Yield Income Fund seeks to provide capital appreciation for investors. In addition, in respect of the distribution classes, it also intends to pay monthly dividends equal to all or substantially all of the net income attributable to each of the distribution classes.

Value Partners Greater China High Yield Income Fund invest in a broadly diversified portfolio of debt securities with no fixed duration, term structure or industry sector weightings in the allocation of assets in Greater China. Selection of investments will be determined by the availability of attractive investment opportunities. It aims to achieve its investment objective by investing not less than 70% of its non-cash assets in a portfolio of debt securities issued by or fully guaranteed by (i) listed or unlisted corporations with their main operations (or majority of assets) in, or have their majority of their income derived from the Greater China Region, and (ii) governments and/or government related entities in Greater China Region. The debt securities in which the Fund may invest shall include, but are not limited to, convertible and non-convertible debt securities, fixed and floating rate bonds and high-yield bonds.

Investment Strategy and Future Prospects

The Group's investments in financial assets at fair value through profit or loss have been conducted on the premises that such investments would not affect the working capital of the Group or the daily operation of the Group's principal business. Such investments are conducive to improving the capital usage efficiency and generating investment return from the Group's temporarily idle funds. Giving top priority to prevention of excessive risk, the Company implemented control and made prudent decisions in respect of such investments on the principle of protecting the interests of the Company and its shareholders as a whole. On one hand, the Company is able to generate a relatively higher return from such investments than fixed-term bank deposits, while at the same time the Company is still able to retain flexibility in redeeming the Investments whenever it foresees there is a cash need.

Subject to the any unforeseeable changes in China's and global economic, political and social conditions, the Company currently expects that the Group will continue to make such investments as and where appropriate pursuant to the investment strategy mentioned above. It is currently expected that barring any unforeseeable circumstances, such investments would continue to generate additional return for the Group.

The additional information above does not affect other information contained in the 2017 Results Announcement and the contents of the 2017 Results Announcement remain unchanged.

DISCLOSEABLE TRANSACTION IN RELATION TO SUBSCRIPTION OF FUND

Reference is also made to the announcement of the Company dated 2 February 2018 in relation to the subscription of the Harvest HuoQiBao Monetary Market Fund with the further subscription amount of RMB50 million by an indirect non-wholly owned subsidiary of the Company (the "**February Announcement**").

During the Relevant Period, the Group had subscribed for various fund units of the Harvest Funds. The maximum cumulative amount of outstanding investment of the Group with the Harvest Funds Manager during the Relevant Period, which was reached on 28 December 2017, was RMB1,781.2 million.

For the principal terms of the Harvest Funds and the information of the Group and the Harvest Funds Manager, please refer to the February Announcement.

Reasons for and benefits for the Relevant Harvest Subscription

The Group funded the Relevant Harvest Subscription from internal resources. The Relevant Harvest Subscription is intended for maximizing the use of surplus fund of the Group accumulated from its operations with the aim of obtaining satisfactory return under limited risks.

The Board considered that the flexibility of the redemption mechanism of the Relevant Harvest Subscription allows the Group to generate stable income from its surplus cash whilst maintaining its liquidity position at the same time.

In conclusion, after taking into account the combinative factors as mentioned above, the Board considered that the terms of the Relevant Harvest Subscription are on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Listing Rules implications

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the cumulative amount of investment of the Group in each of the Harvest Express Monetary Market Fund, the Harvest HuoQiBao Monetary Market Fund, the Harvest ZengYiBao Monetary Market Fund and the Harvest Monetary Market Fund outstanding from time to time should be aggregated for the purpose of calculating the percentage ratios (as defined under Rule 14.07 of the Listing Rules). When aggregated, as the highest applicable percentage ratio in respect of the Relevant Harvest Subscription exceeds 5% but less than 25%, the Relevant Harvest Subscription constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Compliance with the Listing Rules

Due to an oversight, the Company had not previously disclosed the details of the Relevant Harvest Subscription in a timely manner in accordance with the requirements of Chapter 14 of the Listing Rules. The Board also wishes to refer to the February Announcement, where the Company had disclosed a transaction, the nature and the fund manager of which were the same as the Relevant Harvest Subscription. Save as disclosed in this announcement, none of the acquisitions or disposals of financial assets stated above conducted by the Company during the Relevant Period constituted a notifiable transaction or a connected transaction under the Listing Rules.

Remedial actions

The Board will adopt the following measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future:

(A) arranging for the internal control department to review, strengthen and continue to monitor the Company's internal control, operation and reporting procedures in respect of the monitoring of all transactions, including reviewing and evaluating the nature of any possible acquisitions or disposals of financial assets which may constitute notifiable transactions and/or connected transactions under the Listing Rules before such acquisitions or disposals are conducted by the Group, and seek professional advice if necessary;

(B) strengthening the communication between the management, including the transaction team personnel in the PRC, and the professional advisers of the Company for consultation of the compliance with the Listing Rules in respect of any notifiable transactions and/or connected transactions under the Listing Rules; and

(C) requiring the Directors and the senior management of the Company to attend trainings and providing them with the updates on the Listing Rules, including identification of notifiable and connected transactions and compliance of the Listing Rules, to be provided by the Company's professional advisers or other external institutions.

DEFINITION

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

"Harvest Funds"	collectively, the Harvest Express Monetary Market Fund, the Harvest HuoQiBao Monetary Market Fund, the Harvest ZengYiBao Monetary Market Fund, and the Harvest Monetary Market Fund
"Harvest Funds Manager"	嘉實基金管理有限公司 (Harvest Fund Management Co., Ltd.*), a company established in the PRC with limited liability
"Relevant Harvest Subscription"	the subscriptions of fund units of the Harvest Funds by the Group during the Relevant Period

"Relevant Period"	the period from 1 January 2017 to 31 December 2017
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

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

Hong Kong, 10 May 2018

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 of Hong Kong Limited (www.hkexnews.hk).

**For identification purposes only*