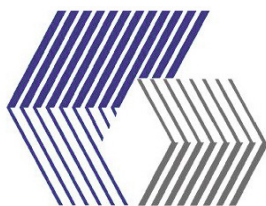


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CHINA ORIENTAL GROUP COMPANY LIMITED 中國東方集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 581)

INSIDE INFORMATION SHUT DOWN OF PRODUCTION FACILITIES

This announcement is made by China Oriental Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) would like to inform the shareholders of the Company and potential investors that according to the arrangement of the Guidance Advices of the State Council regarding Conflicts in Resolving Severe Excess Capacity (國務院關於化解產能嚴重過剩矛盾的指導意見), the Advices of the State Council regarding Resolving Steel Industry’s Excess Capacity and Get Through the Difficulties and Development (國務院關於鋼鐵行業化解過剩產能實現脫困發展的意見), the Implementation Proposal of Hebei Province regarding Resolving Steel Excess Capacity (河北省化解鋼鐵過剩產能實施方案) and the Implementation Proposal of Tangshan City regarding Reduction of Capacity in Steel Industry and Fast Transformation (唐山市鋼鐵行業去產能快轉型實施方案) (collectively the “**Arrangements**”) of the People’s Republic of China (the “**PRC**”), in 2016, Hebei Jinxi Iron and Steel Group Company Limited (“**Jinxi Limited**”) has to shut down one 50 tonnes converter furnace and resolve 0.7 million tonnes of steelmaking capacity; and Hebei Jinxi Iron and Steel Group Zhengda Iron and Steel Co., Ltd. (“**Zhengda Iron and Steel**”) has to shut down one 500 cubic meter blast furnace and resolve 0.55 million tonnes of ironmaking capacity. In 2017, Jinxi Limited will have to shut down one blast furnace and resolve 1.2 million tonnes of ironmaking capacity. During the period from 2018 to 2020, Jinxi Limited will have to resolve 0.3 million tonnes of ironmaking capacity and 0.27 million of tonnes steelmaking capacity.

In relation to the Arrangements, the current assignment for resolving excess capacity is imposed by the Government of Tangshan City, Hebei Province to Jinxi Limited and Zhengda Iron and Steel in accordance with the Advices of the State Council regarding Resolving Steel Industry's Excess Capacity and Get Through the Difficulties and Development (國務院關於鋼鐵行業化解過剩產能實現脫困發展的意見). All production facilities of these two companies are in compliance with laws and regulations, and not falling within the scope of outdated facilities and capacity for elimination. After various reflection, reporting and coordination with the Government of Tangshan City, Fengrun District and Qianxi County by the Company, according to the meeting held by the Government of Tangshan City at the Mayor Office on 9 September 2016 and subsequent negotiations, it was confirmed that Zhengda Iron and Steel to complete the shut down of one 500 cubic meter blast furnace and one 60 tonnes converter furnace by the end of October 2016 (the “**Shut Down**”) as the 2016 resolving assignment.

The Board further informs that the Company's current evaluation of the losses and risks to be incurred by the Shut Down are summarised as follows:

1. The shut down of one 500 cubic meter blast furnace and one 60 tonnes converter furnace by Zhengda Iron and Steel will directly affect 50% of ironmaking and steelmaking production capacities of Zhengda Iron and Steel, representing approximately 0.6 million tonnes of iron and steel respectively and result in reduction of income of Zhengda Iron and Steel. Meanwhile, as certain fixed assets cannot be continuously used, this will lead to impairment and result in negative impact to the Group's current year financial results.
2. After the shut down of one blast furnace and one converter furnace, this will lead to the sintering, steelmaking and steel rolling activities of Zhengda Iron and Steel not being able to operate at full production capacity, significantly increase in production costs and may incur losses. This may even lead to complete cessation of production and shut down of Zhengda Iron and Steel, hence further reducing the production capacity by approximately 0.6 million tonnes.
3. Regarding the indicator assignment of resolving capacity during the period from 2018 to 2020, the Group will proactively communicate and negotiate with the Government to reduce losses.

Jinxi Limited and Zhengda Iron and Steel are limited companies established in the PRC and are respectively 97.6% and 69.3% indirectly owned subsidiaries of the Company. Jinxi Limited, Zhengda Iron and Steel and the Group are principally engaged in the manufacturing and sales of steel products, trading of steel products and iron ore. In addition, Jinxi Limited and the Group are also principally engaged in real estate business.

The Company is in the process of evaluating and minimizing the impact of the Shut Down to the Group. The Company will provide its shareholders and potential investors with further update whenever it is necessary.

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

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

Hong Kong, 28 October 2016

As at the date of this announcement, the Board 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*