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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2014	2013	Changes
Sales volume (tonnes)			
– Self-manufactured steel products	**4.73 million**	4.21 million	+12.4%
– Trading of steel products	**0.19 million**	0.65 million	-70.8%
	4.92 million	4.86 million	+1.2%
Revenue *(RMB)*			
– Sale of self-manufactured steel products	**13.19 billion**	13.15 billion	+0.3%
– Trading of steel products	**0.56 billion**	1.99 billion	-71.9%
– Trading of iron ore	**1.78 billion**	1.06 billion	+66.8%
– Sale of properties	**0.04 billion**	0.04 billion	-15.0%
– Others	**0.13 billion**	0.09 billion	+38.3%
	15.70 billion	16.33 billion	-3.9%
Gross profit/(loss) *(RMB)*			
– Sale of self-manufactured steel products	**602 million**	417 million	+44.4%
– Trading of steel products	**13 million**	(4) million	+425.0%
– Trading of iron ore	**72 million**	48 million	+50.0%
– Sale of properties	**9 million**	11 million	-18.2%
– Others	**9 million**	1 million	+800.0%
	705 million	473 million	+49.0%
Gross profit per tonne *(RMB)*			
– Sale of self-manufactured steel products	**127 yuan**	99 yuan	+28.3%
EBITDA[1] *(RMB)*	**850 million**	782 million	+8.7%
EBITDA[1] margin	**5.4%**	4.8%	N/A
EBIT[2] *(RMB)*	**314 million**	263 million	+19.4%
EBIT[2] margin	**2.0%**	1.6%	N/A

* *For identification purpose only*

	For the six months ended 30 June		
	2014	2013	Changes
Profit before income tax *(RMB)*	**134 million**	147 million	-8.3%
Profit for the period *(RMB)*	**34 million**	51 million	-32.8%
Profit for the period attributable to owners of the Company *(RMB)*	**37 million**	65 million	-42.7%
Basic earnings per share *(RMB)*	**0.01 yuan**	0.02 yuan	-50.0%
Return on equity[3]	**0.4%**	0.7%	N/A
	As at		
	30 June 2014	31 December 2013	
Total assets *(RMB)*	**25.07 billion**	23.75 billion	+5.5%
Net assets value per share (exclude non-controlling interests) *(RMB)*	**3.15 yuan**	3.14 yuan	+0.3%
Debt-to-capital ratio[4]	**63.9%**	58.9%	N/A

1 China Oriental Group Company Limited (the "Company") defines EBITDA as profit for the period before finance costs-net, income tax expense, amortisation of intangible assets, amortisation of leasehold land and land use rights, depreciation and share-based payments.

2 The Company defines EBIT as profit for the period before finance costs-net, income tax expense and share-based payments.

3 Return on equity is calculated as profit attributable to owners of the Company divided by the average of the beginning and ending balances of the equity attributable to owners of the Company for that period.

4 Debt-to-capital ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings and borrowings from related parties. Total capital includes non-current borrowings, non-current portion of borrowings from related parties and equity attributable to owners of the Company.

The board of directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013. PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		Unaudited	
Revenue	*4*	**15,695,251**	16,334,395
Cost of sales		**(14,990,522)**	(15,861,267)
Gross profit		**704,729**	473,128
Other income		**24,863**	7,776
Distribution costs		**(52,144)**	(67,380)
Administrative expenses		**(222,273)**	(170,927)
Other expenses		**(26,742)**	(30,945)
Other losses – net		**(119,993)**	(47,492)
Operating profit	*5*	**308,440**	164,160
Finance income	*6*	**81,284**	83,001
Finance costs	*6*	**(255,387)**	(100,589)
Profit before income tax		**134,337**	146,572
Income tax expense	*7*	**(100,046)**	(95,522)
Profit for the period		**34,291**	51,050
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Transfer of fair value losses previously taken to reserve to income statement upon impairment of available-for-sale financial assets, net of tax		–	3,892
Item that may be reclassified to profit or loss			
Fair value gains on available-for-sale financial assets, net of tax		**1,817**	–
Total comprehensive income for the period		**36,108**	54,942

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(continued)

	Note	Six months ended 30 June 2014 RMB'000 Unaudited	2013 RMB'000
Profit/(loss) for the period attributable to:			
– owners of the Company		**37,354**	65,145
– non-controlling interests		**(3,063)**	(14,095)
		34,291	51,050
Total comprehensive income/(loss) attributable to:			
– owners of the Company		**39,171**	69,037
– non-controlling interests		**(3,063)**	(14,095)
		36,108	54,942
Earnings per share for profit attributable to owners of the Company for the period *(express in RMB per share)*			
– basic	8	**0.01**	0.02
– diluted	8	**0.01**	0.02
Dividends	9	**–**	–

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2014 *RMB'000* Unaudited**	31 December 2013 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**8,963,491**	9,160,405
Leasehold land and land use rights	*10*	**128,616**	130,318
Investment properties	*10*	**4,151**	14,372
Intangible assets	*10*	**8,728**	8,760
Available-for-sale financial assets		**151,518**	149,701
Long-term bank deposits		**–**	52,000
Amounts due from a related party		**171,749**	–
Deferred income tax assets		**300,521**	285,894
Total non-current assets		**9,728,774**	9,801,450
Current assets			
Properties under development and held for sale	*11*	**1,049,342**	880,568
Inventories	*12*	**3,729,116**	3,689,967
Trade receivables	*13*	**806,532**	1,110,753
Prepayments, deposits and other receivables	*14*	**2,008,836**	1,799,770
Financial assets at fair value through profit or loss		**184,203**	–
Amounts due from related parties		**16,029**	4,996
Prepaid current income tax		**629**	66,607
Loan receivables	*15*	**320,732**	363,232
Notes receivable – bank acceptance notes	*16*	**4,300,691**	3,449,103
Long-term bank deposits due within one year		**52,000**	–
Restricted bank balances		**1,871,219**	1,616,022
Cash and cash equivalents		**998,929**	968,132
Total current assets		**15,338,258**	13,949,150
Total assets		**25,067,032**	23,750,600
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares		**311,853**	311,853
Share premium		**2,192,131**	2,192,131
Other reserves		**1,594,430**	1,587,224
Retained earnings		**5,137,350**	5,099,996
		9,235,764	9,191,204
Non-controlling interests		**511,963**	519,698
Total equity		**9,747,727**	9,710,902

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**30 June 2014**	31 December 2013
		RMB'000	*RMB'000*
		Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**4,552,593**	4,283,962
Other long-term payables		**26,129**	26,129
Deferred revenue		**54,919**	57,674
Amounts due to related parties		**261,012**	89,263
Total non-current liabilities		**4,894,653**	4,457,028
Current liabilities			
Trade payables	*17*	**3,203,450**	3,521,390
Accruals, advances and other current liabilities		**2,878,800**	2,341,023
Amounts due to related parties		**186,900**	181,716
Current income tax liabilities		**175,040**	66,930
Borrowings		**3,975,890**	3,435,497
Dividends payable		**4,572**	36,114
Total current liabilities		**10,424,652**	9,582,670
Total liabilities		**15,319,305**	14,039,698
Total equity and liabilities		**25,067,032**	23,750,600
Net current assets		**4,913,606**	4,366,480
Total assets less current liabilities		**14,642,380**	14,167,930

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	
Net cash generated from operating activities	**38,321**	1,540,340
Net cash used in investing activities	**(132,230)**	(444,375)
Net cash generated from/(used in) financing activities	**120,977**	(709,110)
Net increase in cash and cash equivalents	**27,068**	386,855
Effect of foreign exchange rate changes	**3,729**	(4,632)
Cash and cash equivalents, beginning of period	**968,132**	879,005
Cash and cash equivalents, end of period	**998,929**	1,261,228

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

China Oriental Group Company Limited (the "Company") was incorporated in Bermuda on 3 November 2003 as an exempted company with limited liability under the Companies Act 1981 of Bermuda as a result of a group reorganisation. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Following the completion of the global offering, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 2 March 2004.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. The Group has manufacturing plants in Hebei Province and Guangdong Province of the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC. The Group also engages in real estate business in the PRC.

This condensed consolidated interim financial information was presented in RMB thousand, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 27 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standard adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKAS 36 (Amendment) "Impairment of assets" is effective for annual periods beginning on or after 1 January 2014. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK (IFRIC) Interpretation 21 "Levies" is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of HKAS 37 "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) *Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the Group*

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives	1 January 2014
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014

(c) *The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted:*

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 2	Share-based payment	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related party disclosures	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 39	Financial instruments – Recognition and measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

4. **Sales and segment information**

(a) Sales

The Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. Sales recognised for the six months ended 30 June 2014 and 2013 were as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Gross sales less discounts, returns and sales taxes		
– Strips and strip products	**5,299,852**	5,262,117
– H-section steel products	**4,841,837**	5,406,857
– Iron ore	**1,775,690**	1,064,252
– Rebar	**1,651,973**	1,120,336
– Billets	**1,007,557**	2,471,037
– Cold rolled sheets and galvanised sheets	**909,499**	874,775
– Steel pile sheet	**44,628**	–
– Real estate	**35,907**	42,258
– Others	**128,308**	92,763
	15,695,251	16,334,395

(b) Segment information

The chief decision-maker has been identified as the management committee, which comprises all executive directors and top management. The chief decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the chief decision-maker considers the business from a business perspective. From a business perspective, the chief decision-maker assesses the performance of the iron and steel and the real estate segments.

(i) Iron and steel – Manufacture and sale of iron and steel products and trading of steel products and iron ore; and

(ii) Real estate – Development and sale of properties.

The chief decision-maker assesses the performance of the operating segments based on a measure of revenue and operating profit. This measurement is consistent with that in the consolidated financial statements for the year ended 31 December 2013.

The segment information provided to the chief decision-maker for the reportable segments for the period was as follows:

	Six months ended 30 June 2014		
	Iron and steel	**Real estate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
		Unaudited	
Segment revenue	**15,659,344**	**35,907**	**15,695,251**
Segment operating profit	**307,625**	**815**	**308,440**
Finance costs – net	**(171,096)**	**(3,007)**	**(174,103)**
Profit before income tax			**134,337**
Income tax expense			**(100,046)**
Profit for the period			**34,291**
Other income statement items			
Depreciation and amortisation	**535,735**	**260**	**535,995**
Capital expenditure	**332,475**	**129**	**332,604**

	Six months ended 30 June 2013		
	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
		Unaudited	
Segment revenue	16,292,137	42,258	16,334,395
Segment operating profit	160,526	3,634	164,160
Finance costs – net	(17,460)	(128)	(17,588)
Profit before income tax			146,572
Income tax expense			(95,522)
Profit for the period			51,050
Other income statement items			
Depreciation and amortisation	518,326	392	518,718
Capital expenditure	369,278	129	369,407

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that is reported as direct offsets in the balance sheet. Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, intangible assets, long-term bank deposits due within one year, properties under development and held for sale, inventories, trade receivables, prepayments, deposits and other receivables, amounts due from related parties, notes receivable, restricted bank balances and cash and cash equivalents.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities consist primarily of other long-term payables, deferred revenue, amounts due to related parties, trade payables and accruals, advances and other current liabilities.

The segment assets and liabilities as at 30 June 2014 were as follows:

	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
		Unaudited	
Total assets and segment assets for reportable segments	**22,742,284**	**1,367,145**	**24,109,429**
Unallocated:			
Deferred income tax assets			**300,521**
Available-for-sale financial assets			**151,518**
Financial assets at fair value through profit or loss			**184,203**
Loan receivables			**320,732**
Prepaid current income tax			**629**
Total assets per balance sheet			**25,067,032**
Total liabilities and segment liabilities for reportable segments	**5,450,437**	**1,160,773**	**6,611,210**
Unallocated:			
Current income tax liabilities			**175,040**
Current borrowings			**3,975,890**
Non-current borrowings			**4,552,593**
Dividends payable			**4,572**
Total liabilities per balance sheet			**15,319,305**

The segment assets and liabilities as at 31 December 2013 were as follows:

	Iron and steel *RMB'000*	Real estate *RMB'000* Audited	Total *RMB'000*
Total assets and segment assets for reportable segments	21,900,245	984,921	22,885,166
Unallocated:			
Deferred income tax assets			285,894
Available-for-sale financial assets			149,701
Loan receivables			363,232
Prepaid current income tax			66,607
Total assets per balance sheet			23,750,600
Total liabilities and segment liabilities for reportable segments	5,651,884	565,311	6,217,195
Unallocated:			
Current income tax liabilities			66,930
Current borrowings			3,435,497
Non-current borrowings			4,283,962
Dividends payable			36,114
Total liabilities per balance sheet			14,039,698

5. Operating profit

An analysis of the amounts presented as operating items in the financial information is given below.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Depreciation of property, plant and equipment *(Note 10)*	**(534,120)**	(516,578)
Investment (loss)/income from financial assets at fair value through profit or loss	**(152,297)**	7,232
Rental fee	**(73,877)**	(93,960)
(Provision for)/reversal of impairment of deposits and other receivables	**(15,500)**	3,000
(Provision for)/reversal of impairment of trade receivables	**(7,781)**	1,392
Provision for legal claims	**(7,171)**	–
Impairment provision for loan receivables	**(7,000)**	(10,735)
Share options granted to directors, employees and other participants	**(5,389)**	(11,481)
(Loss)/gain on disposal of property, plant and equipment	**(2,587)**	2,344
Amortisation of leasehold land and land use rights *(Note 10)*	**(1,702)**	(1,702)
Depreciation of investment properties *(Note 10)*	**(120)**	(403)
Amortisation of intangible assets *(Note 10)*	**(53)**	(35)
Impairment of property, plant and equipment *(Note 10)*	**–**	(46,731)
Impairment of available-for-sale financial assets	**–**	(23,845)
Government grants	**8,961**	266
Reversal of/(provision for) write-down of inventories to net realisable value *(Note 12)*	**17,938**	(16,602)
Income from other operating leases	**22,250**	–

6. Finance income and costs

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Interest expenses	**(235,624)**	(242,512)
Net foreign exchange (losses)/gains on borrowings	**(54,285)**	120,961
Total finance costs	**(289,909)**	(121,551)
Less: amounts capitalised on qualifying assets	**34,522**	20,962
Finance costs	**(255,387)**	(100,589)
Finance income	**81,284**	83,001
Finance costs - net	**(174,103)**	(17,588)

For the six months ended 30 June 2014, a capitalisation rate of 7.61% (2013: 6.86%) was used, representing the average borrowing cost of the loans relating to financing the construction of property, plant and equipment and properties under development.

7. Income tax expense

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax	**111,833**	107,284
– Singapore profit tax	**2,840**	2,146
Deferred income tax	**(14,627)**	(13,908)
	100,046	95,522

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and, accordingly, is exempted from payment of Bermuda income tax.

The subsidiaries directly held by the Company were incorporated in British Virgin Islands ("BVI") with limited liability under the International Business Companies Act Chapter 291 and, accordingly, are exempted from payment of BVI income tax.

No Hong Kong profits tax has been provided since the subsidiaries incorporated or traded in Hong Kong do not have assessable profits during the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

China Oriental Singapore Pte. Ltd ("China Oriental Singapore") has been awarded the "Global Trader Programme" ("GTP") status for 2 years 9 months with effect from 1 April 2011 and continued to be awarded from 1 January 2014 for 5 years. Income from qualifying transactions will be taxed at the concessionary corporate tax rate of 10%, subject to China Oriental Singapore meeting certain terms and conditions as stated in the letter issued by International Enterprise Singapore.

The PRC Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. For the six months ended 30 June 2014, Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Co., Limited ("Jinxi Dafang") was not entitled to preferential corporate tax rate of 15% after periodic examination, the standard tax rate of Jinxi Dafang was 25% (six months ended 30 June 2013: 15%).

Other than mentioned above, the standard tax rate of the Group incorporated in PRC remains unchanged as 25% in the year ended 31 December 2013.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average applicable tax rate of 45.94% (2013: 25.12%) to respective profits of the consolidated entities for the six months ended 30 June 2014 and 2013 as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit before taxation	**134,337**	146,572
Taxation calculated at statutory tax rate	**61,712**	36,822
Tax losses for which no deferred income tax asset was recognised	**28,334**	42,195
Withholding tax of intra-group interest income	**1,344**	–
Effect of non-deductible expenses	**8,656**	16,505
	100,046	95,522

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**37,354**	65,145
Weighted average number of ordinary shares in issue *(thousands)*	**2,931,425**	2,930,928
Basic earnings per share *(RMB per share)*	**0.01**	0.02

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 June 2014, the Company has one category of dilutive potential ordinary shares: share options.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**37,354**	65,145
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,931,425**	2,930,928
Adjustments for options *(thousands)*	**–**	2,618
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,931,425**	2,933,546
Diluted earnings per share *(RMB per share)*	**0.01**	0.02

9. Dividends

At a meeting held on 27 August 2014, the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: Nil).

At a meeting held on 21 March 2014, the Board did not recommend the payment of any final dividend for the year ended 31 December 2013.

10. Capital expenditure

	Property, plant and equipment *RMB'000*	Leasehold land and land use rights *RMB'000*	Investment properties *RMB'000*	Intangible assets *RMB'000*
		Unaudited		
Six months ended 30 June 2014				
Opening carrying amount as at 1 January 2014	**9,160,405**	**130,318**	**14,372**	**8,760**
Additions	**332,583**	**–**	**–**	**21**
Disposals	**(5,478)**	**–**	**–**	**–**
Reclassification	**10,101**	**–**	**(10,101)**	**–**
Depreciation and amortisation *(Note 5)*	**(534,120)**	**(1,702)**	**(120)**	**(53)**
Closing carrying amount as at 30 June 2014	**8,963,491**	**128,616**	**4,151**	**8,728**
Six months ended 30 June 2013				
Opening carrying amount as at 1 January 2013	9,039,970	133,723	15,178	8,629
Additions	369,358	–	–	49
Disposals	(1,343)	–	–	–
Depreciation and amortisation *(Note 5)*	(516,578)	(1,702)	(403)	(35)
Impairment *(Note 5)*	(46,731)	–	–	–
Closing carrying amount as at 30 June 2013	8,844,676	132,021	14,775	8,643

11. Properties under development and held for sale

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Properties under development comprise:		
– Construction costs	**299,101**	290,061
– Land use rights	**504,775**	428,477
– Interests capitalised	**49,813**	31,282
	853,689	749,820
Completed properties held for sale	**195,653**	130,748
	1,049,342	880,568

As at 30 June 2014, land use rights with carrying amount of approximately RMB310 million (31 December 2013: nil) were pledged as security for the Group's bank borrowings.

12. Inventories

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Raw materials and materials in-transit	**2,326,719**	2,304,221
Work-in-progress	**349,593**	378,046
Finished goods	**1,052,804**	1,007,700
	3,729,116	3,689,967

For the six months ended 30 June 2014, the Group recognised a gain of approximately RMB18 million in respect of the reversal of the written down of inventories to net realisable values (six months ended 30 June 2013: a provision of approximately RMB17 million for write-down of inventories to net realisable value) (note 5). These changes in provision have been included in "cost of sales" in the interim condensed consolidated statement of comprehensive income.

As at 30 June 2014, inventories with a net book value of approximately RMB29 million (31 December 2013: RMB40.5 million) were withheld by and in custody of a court.

13. Trade receivables

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**388,565**	685,005
Long-term trade receivables – current portion	**435,555**	435,555
Less: impairment provision for trade receivables	**(17,588)**	(9,807)
Trade receivables – net	**806,532**	1,110,753

The long-term trade receivables – current portion represented the receivables due from a third party, which are repayable within one year and bear interest at a rate of 6.3% per annum.

As at 30 June 2014 and 31 December 2013, the carrying amount of the Group's trade receivables approximated their fair values.

Except for the long-term trade receivables – current portion as mentioned above, the credit policy usually adopted by the Group for the sales of products to customers is to deliver goods either upon receipt in cash or upon receipt of bank acceptance notes with the maturity dates within six months.

As at 30 June 2014 and 31 December 2013, the ageing of trade receivables was as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**291,323**	597,386
4-6 months	**25,922**	38,419
7-12 months	**30,922**	49,200
Over 1 year	**475,953**	435,555
	824,120	1,120,560

As at 30 June 2014, trade receivables amounting to approximately RMB38 million (31 December 2013: RMB403 million) were guaranteed by customers' letters of credit.

14. Prepayments, deposits and other receivables

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current		
Prepayments for purchase of property, plant and equipment	**234,235**	234,235
Less: impairment provision of prepayments, deposits and other receivables	**(234,235)**	(234,235)
	–	–
Current		
Prepayments for purchase of inventories	**1,499,018**	1,330,241
Deposits and other receivables	**534,600**	497,508
Prepaid expenses	**32,228**	13,918
Less: impairment provision of prepayments, deposits and other receivables	**(57,010)**	(41,897)
	2,008,836	1,799,770
	2,008,836	1,799,770

15. Loan receivables

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Long-term loan receivable – current portion	**300,000**	300,000
Loan receivables	**69,000**	104,500
Less: impairment	**(48,268)**	(41,268)
	320,732	363,232

As at 30 June 2014 and 31 December 2013, the carrying amounts of loan receivables approximated their fair values.

16. Notes receivable – bank acceptance notes

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Notes receivable – bank acceptance notes	**4,300,691**	3,449,103

As at 30 June 2014, notes receivable of approximately RMB223 million (31 December 2013: RMB219 million) were pledged as security for issuing notes payable (Note 17). In addition, notes receivable of approximately RMB601 million (31 December 2013: RMB1,079 million) were pledged as collateral for the Group's borrowings.

The settlement of the notes receivable were guaranteed by banks with maturity dates within six months. The notes receivable can be convertible into cash and cash equivalent by paying discounting interests and the credit risks in respect of the notes receivable are considered to be low.

As at 30 June 2014 and 31 December 2013, the ageing analysis of notes receivable was as follows:

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Within 3 months	**2,939,902**	1,774,912
4-6 months	**1,360,789**	1,674,191
	4,300,691	3,449,103

17. Trade payables

	30 June 2014 *RMB'000* Unaudited	31 December 2013 *RMB'000* Audited
Account payables	**2,099,858**	2,279,265
Notes payable	**1,103,592**	1,242,125
	3,203,450	3,521,390

As at 30 June 2014, all notes payable represented bank acceptance notes, of which RMB225 million (31 December 2013: RMB219 million) were secured by certain notes receivable (Note 16), RMB724 million (31 December 2013: RMB833 million) were secured by restricted bank balances amounting to approximately RMB329 million (31 December 2013: RMB664 million), and RMB155 million (31 December 2013: RMB190 million) were secured by inventories and restricted bank balances amounting to approximately RMB116 million (31 December 2013: RMB152 million) and RMB62 million (31 December 2013: RMB84 million) respectively.

As at 30 June 2014 and 31 December 2013, the ageing analysis of the account and notes payables were as follows:

	30 June 2014 *RMB'000* Unaudited	31 December 2013 *RMB'000* Audited
Within 3 months	**2,193,336**	2,656,282
4-6 months	**646,873**	696,399
7-9 months	**190,433**	77,508
10-12 months	**75,598**	28,260
Over 1 year	**97,210**	62,941
	3,203,450	3,521,390

18. Capital commitments

	30 June 2014 *RMB'000* Unaudited	31 December 2013 *RMB'000* Audited
Purchase of property, plant and equipment		
– Contracted but not provided for	**351,012**	260,644
– Authorised but not contracted for	**128,240**	238,508
	479,252	499,152
Purchase of properties under development	**500,733**	244,350
	979,985	743,502

19. Financial guarantee contracts

As at 31 December 2013, The Group provided guarantee for bank borrowings in favor of third parties amount to approximately RMB21 million. As at 30 June 2014, no guarantee was provided by the Group to other parties. The fair values of these financial guarantee contracts are not significant. The Directors of the Company are of the view that such obligations will not cause an outflow of resources embodying economic benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2014, due to the weak demand of the steel products in Mainland China as affected by the continuing imbalance of demand and supply of steel industries, the average selling price of self-manufactured steel products of the Group had been decreased significantly as compared with that of the corresponding period in prior year. Despite the tough environment in the steel industry in the Mainland China for the six months ended 30 June 2014, the Group can still manage to record revenue and net profit of approximately RMB15.7 billion and approximately RMB34.3 million respectively, a decrease of approximately 3.9% and 32.8% as compared with those of the prior year respectively, through improvement in its production efficiency, adjustments in its steel product mix and reduction of other production cost in the first half of 2014. The profit attributable to owners of the Company amounted to RMB37.4 million, a decrease of 42.7% as compared with that of prior year.

With respect to the steel business, the Group has been actively taking measures to enhance our competitiveness in this sector by developing high end products, implementing strict cost control and optimizing its sales products. During the six months ended 30 June 2014, the Group has sold approximately 12,000 tonnes of steel pile sheet which was newly developed by the end of 2013. This product has been applied to the major projects along the coastal area of certain provinces of the PRC and received a high appraisal with its application to the projects. It is believed that the steel pile sheet will contribute significant revenue to the Group in the near future. In addition, the Group has made substantial investment in energy saving and environmental protection measures to upgrade its production facilities in the past which improved the energy saving and pollutant emission reduction during the steel production process of the Group. During the six months ended 30 June 2014, the self-generated electricity of the Group has reached approximately 40% of the total electricity consumed by the Group which has reduced the energy cost of the Group significantly. The Group has sold approximately 1,573,000 tonnes of self-manufactured H-section steels products in the first half of 2014 and continued to be a market leader in the PRC for H-section steels.

With respect to the real estate business, on 15 April 2014, the Group has successfully bided a land located at the junction of Zhiying Street East and Huashan Road South, Fengqiao Jie Dao, Gaoxin District, Suzhou, the PRC from the Suzhou National Territory Resources Bureau at a consideration of RMB295,000,000. The land has an area of approximately 40,393.8 m^2 with plot ratio not exceeding 1.5 for residential purpose. It is believed that this project can provide a good investment opportunity for the Group to increase its land reserves prudently for its future business development and the project is expected to be completed by 2016. For the six months ended 30 June 2014, the Group had completed gross floor area ("GFA") of 25,700 m^2 of the second phase of the property development project namely "Donghu Bay" which is located in Tangshan City, Hebei Province, the PRC. The Group recorded revenue and operating profit from real estate business of approximately RMB35.9 million and RMB0.8 million respectively. The whole of the second phase of the Donghu Bay project is expected to be completed in October 2014. In addition, the Group had commenced the preliminary development of the parcels of land namely "Xintiandi" which are located in Suzhou City, the PRC with total construction GFA of approximately 105,000 m^2. The residential and basement part and commercial and office part of the Xintiandi project is expected to be completed in October 2015 and December 2016 respectively. The Group will also actively promote the usage of environmental friendly construction and to develop, introduce and utilise the upgraded H-section steel which can be used in the property development.

For the six months ended 30 June 2014, the revenue and gross profit arising from trading of steel products and iron ore were approximately RMB2,338.1 million (six months ended 30 June 2013: approximately RMB3,045.5 million) and approximately RMB85.2 million (six months ended 30 June 2013: approximately RMB43.9 million) respectively.

The Group also engages in financing industry through its subsidiaries, Oriental Evertrust Finance Leasing Co., Ltd. ("Oriental Evertrust") and Tianjin Oriental Huitong Microcredit Company Limited ("Oriental Huitong"). As at 30 June 2014, Oriental Evertrust and Oriental Huitong provided loans amounting to RMB369.0 million to independent third parties at interest rates ranged from 12.0% to 24.0% per annum.

Since the Group introduced the world's largest steel corporation ArcelorMittal as its strategic shareholder in 2008, collaboration between the Group and ArcelorMittal has grown considerably. ArcelorMittal not only appointed experienced executives to the Board of the Group to participate in decision making for the Group's business development but also sent technicians and management staff to our production sites to inspect our operations and provide professional advice.

On 6 November 2013, the Company was informed by Wellbeing Holdings Limited, Chingford Holdings Limited and Mr. Han Jingyuan (together, the "Plaintiffs") that a Writ of Summons has been issued by the Plaintiffs against ArcelorMittal, pursuant to which, the Plaintiffs sought an order that ArcelorMittal procure that ArcelorMittal Holdings AG (formerly known as Mittal Steel Holdings AG) ("AM Holdings AG") sell a sufficient number of shares of the Company such that the Company's 25% minimum public float requirement pursuant to Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is restored. Further details of the above have been disclosed in the announcement of the Company dated 7 November 2013.

Based on the current information available, the Company is of the view that the Writ of Summons should not have any material adverse impact on the Company's operation or financial position.

Reference is made to the announcements of the Company dated 30 December 2013, 11 April 2014, 5 May 2014, 30 May 2014, 6 July 2014, 20 August 2014 and 26 August 2014 (the "Announcements") regarding the public float issue and the suspension of trading of the shares of the Company. Shareholders of the Company and/or potential investors are advised to exercise caution when dealing in the securities of the Company.

The Company will make further announcement to inform its shareholders and potential investors for the latest development of the public float issue as and when appropriate pursuant to the Listing Rules and/or the Securities and Futures Ordinance of Hong Kong.

BUSINESS REVIEW

Sales Analysis from Sale of Self-manufactured Steel Products

Sales volume

For the six months ended 30 June 2014, the Group's total sales volume was 4.73 million tonnes (2013 corresponding period: 4.21 million tonnes), representing an increase of approximately 12.4%.

The sales volume breakdown during the period was as follows:

	For the six months ended 30 June				Increase/
	2014		2013		(Decrease) in
	Sales volume		Sales volume		Sales volume
	('000 tonnes)		*('000 tonnes)*		
H-section steel products	**1,573**	**33.2%**	1,526	36.3%	3.1%
Strips and strip products	**1,973**	**41.7%**	1,756	41.7%	12.4%
Cold rolled sheets and galvanised sheets	**237**	**5.0%**	174	4.1%	36.2%
Billets	**362**	**7.7%**	545	12.9%	(33.6%)
Rebar	**575**	**12.2%**	208	5.0%	176.4%
Steel pile sheet	**12**	**0.2%**	–	–	N/A
Total	**4,732**	**100%**	4,209	100.0%	12.4%

Revenue

Revenue for the six months ended 30 June 2014 was RMB13,193 million (2013 corresponding period: RMB13,154 million), representing an increase of approximately 0.3%.

The breakdown of revenue and average selling price by product (excluding value added tax) during the periods were as follows:

	For the six months ended 30 June					
	2014		2013		Increase/(Decrease) in	
	Revenue *(RMBmillion)*	**Average selling price** *(RMB/tonne)*	Revenue *(RMB million)*	Average Selling price *(RMB/tonne)*	Revenue	Average selling price
H-section steel products	**4,478**	**2,846**	5,040	3,303	(11.2%)	(13.8%)
Strips and strip products	**5,299**	**2,686**	5,247	2,987	1.0%	(10.1%)
Cold rolled sheets and galvanised sheets	**909**	**3,842**	733	4,221	24.0%	(9.0%)
Billets	**915**	**2,530**	1,506	2,764	(39.2%)	(8.5%)
Rebar	**1,547**	**2,690**	628	3,015	146.3%	(10.8%)
Steel pile sheet	**45**	**3,773**	–	–	N/A	N/A
Total	**13,193**	**2,788**	13,154	3,125	0.3%	(10.8%)

The slightly increase in revenue from self-manufactured steel products was primarily due to an increase in the sales volume of the Group's products offset by a decrease in its average selling price by 10.8% to RMB2,788 per tonne for the six months ended 30 June 2014 from RMB3,125 per tonne for the corresponding period in 2013. Decrease in average selling price of the Group's products were mainly due to the continued over-capacity problems in the steel industry in the PRC during the first half of 2014.

Cost of Sales and Gross Profit

The gross profit for the six months ended 30 June 2014 was RMB602 million (2013 corresponding period: RMB417 million), representing an increase of 44.4%. Gross profit margin was 4.6% (2013 corresponding period: 3.2%).

Average unit cost and gross profit per tonne during the periods were as follows:

	For the six months ended 30 June					
	2014			2013		
	Average unit cost *(RMB)*	**Gross profit/(loss) per tonne** *(RMB)*	**Gross profit/(loss) margin**	Average unit cost *(RMB)*	Gross profit/(loss) per tonne *(RMB)*	Gross profit/(loss) margin
H-section steel products	**2,687**	**159**	**5.6%**	3,144	159	4.8%
Strips and strip products	**2,514**	**172**	**6.4%**	2,909	78	2.6%
Cold rolled sheets and galvanised sheets	**4,008**	**(166)**	**(4.3%)**	4,406	(185)	(4.4%)
Billets	**2,446**	**84**	**3.3%**	2,662	103	3.7%
Rebar	**2,652**	**38**	**1.4%**	2,951	65	2.2%
Steel pile sheet	**3,561**	**212**	**5.6%**	–	–	–
Total	**2,661**	**127**	**4.6%**	3,026	99	3.2%

Gross profit per tonne of the Group's products increased to RMB127 for the six months ended 30 June 2014 from RMB99 for the corresponding period in 2013, reflecting an increase of 28.3%. Gross profit margin increased to 4.6% for the six months ended 30 June 2014 from 3.2% for the corresponding period in 2013. The increased in gross profit margin was primarily due to the magnitude of decrease in the iron ore price, one of the major raw material for production of steel products, was higher than the magnitude of the decrease in the average selling price of the steel products of the Group for the six months ended 30 June 2014.

Property Development

In the first half of 2014, the Group had completed GFA of 25,700 m^2. The status of the completed GFA by project is set out in the following table.

No.	City	Property project	Phase of project	Total GFA *(m^2)*
1	Tangshan	Donghu Bay	Phase 2	25,700

For the six months ended 30 June 2014, the revenue from real estate business of the Group amounted to approximately RMB35.9 million. The GFA of properties delivered was 5,555 m^2. The average selling price of properties delivered was approximately RMB6,463 per m^2.

As at 30 June 2014, the Group had the following projects under construction with a GFA of approximately 339,256 m^2:

No.	City	Property project	Phase of project	GFA under Construction *(m^2)*	Estimate time of completion
1	Tangshan	Donghu Bay	Phase 2	81,218	October 2014
2	Tangshan	Donghu Bay	Phase 3	92,088	December 2016
3	Suzhou	Xintiandi	Residential and basement	39,691	October 2015
4	Suzhou	Xintiandi	Commercial and office	65,670	December 2016
5	Suzhou	Huashan Road	Planning design	60,589	December 2016

The above projects are expected to be completed from 2014 to 2016 and will contribute stable revenue and profits to our Group.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a workforce of approximately 13,900 and temporary staff of approximately 4,000. The staff cost included basic salaries and benefits. Staff benefits included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc. According to the Group's remuneration policy, employees' package is based on productivity and/or sales performance, and is consistent with the Group's quality control and cost control targets.

FINANCIAL REVIEW

Liquidity and Financial Resources

In order to sustain a stable financial status, the Group closely monitors its liquidity and financial resources.

As at 30 June 2014, the Group had unutilised banking facilities of approximately RMB11.6 billion (31 December 2013: RMB12.5 billion).

As at 30 June 2014, the current ratio of the Group, representing current assets divided by current liabilities, was 1.5 (31 December 2013: 1.5) and the gearing ratio, representing total liabilities divided by total assets, was 61.1% (31 December 2013: 59.1%).

As at 30 June 2014, the cash and cash equivalents of the Group amounted to approximately RMB998.9 million (31 December 2013: RMB968.1 million).

After considering its cash and cash equivalents as well as the banking facilities currently available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for general business expansion and development.

Capital Structures

As at 30 June 2014, borrowings of RMB6,991.8 million of the Group bore fixed interest rates ranged from 1.5% to 8.0% per annum and borrowings of RMB1,536.7 million of the Group bore floating rates ranged from 1.6% to 6.6% per annum. The Group's exposure to changes in market interest rates was considered to be limited. The Group did not use any derivatives to hedge its exposure to interest rate risk for the six months ended 30 June 2014 and year ended 31 December 2013.

Moreover, the majority of the borrowings of the Group as at 30 June 2014 were non-current borrowings.

The Group monitors its capital on the basis of the debt-to-capital ratio. This ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings and borrowings from related parties. The Group regards its non-current borrowings, non-current portion of borrowings from related parties and its equity attributable to owners of the Company as its total capital. As at 30 June 2014, the debt-to-capital ratio of the Group was 63.9% (31 December 2013: 58.9%).

The consolidated interest expenses and capitalised interest for the six months ended 30 June 2014 amounted to RMB235.6 million (2013 corresponding period: RMB242.5 million). The interest coverage (divide earnings before finance costs – net and income tax expense by total interest expenses) was 1.3 times (2013 corresponding period: 0.7 times).

Capital Commitments

As at 30 June 2014, the Group had capital commitments of approximately RMB980.0 million (31 December 2013: RMB743.5 million). It is estimated that the capital commitments will be financed by the Group's internal resources and unutilised banking facilities.

Guarantees and Contingent Liabilities

As at 30 June 2014, the Group's contingent liabilities amounting to nil (31 December 2013: RMB21.2 million), which was the provision of guarantee for bank borrowings in favour of a third party.

Pledge of Assets

As at 30 June 2014, the carrying amount of the Group's properties under development amounting to approximately RMB310.3 million (31 December 2013: nil), inventories amounting to approximately RMB116.0 million (31 December 2013: RMB283.2 million), notes receivable amounting to approximately RMB823.7 million (31 December 2013: RMB1,297.4 million) and restricted bank balances amounting to approximately RMB1,850.1 million (31 December 2013: RMB1,582.8 million) had been pledged as security for issuing notes payable of the Group, the Group's bank borrowings and letter of credit issuing. As at 30 June 2014, the net book value of the Group's inventories amounting to approximately RMB28.9 million (31 December 2013: RMB40.5 million) and restricted bank balance amounting to approximately RMB21.2 million (31 December 2013: RMB33.2 million) were withheld by and in custody of the counts.

Exchange Risks

Foreign exchange risk is the risk to the Group's financial conditions and results of operations arising from movements of foreign exchange rates. The Group mainly operates in the Mainland China with most of the transactions denominated and settled in RMB. The Group's foreign exchange risk primarily arises from the procurement of iron ores and the relevant products from overseas suppliers and the Group's senior notes, which is denominated and settled in USD. Foreign exchange rates fluctuate in reaction to the macro-economic performance of different countries and fund flows between countries arising from trade or capital commitments. The Group has not used any derivatives to hedge its exposure to foreign exchange risk for the six months ended 30 June 2014 and for the year ended 31 December 2013.

Iron Ore Swaps

In view of the significant fluctuation of iron ore price during the six months ended 30 June 2014, the Group has entered into iron ore swap contracts so as to reduce the impact of the volatility of the iron ore price on the Group. The Group uses a combination of iron ore derivatives to achieve the above purpose.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013 corresponding period: nil).

Post Balance Sheet Events

Except as disclosed above, there have been no events to cause material impact on the Group from the balance sheet date to the date of this announcement that should be disclosed.

FUTURE PROSPECTS

In the second half of 2014, the Group will continue to maintain its competitiveness through continuous improvement of its production efficiency, adjustments made to the product mix and reduction of various production costs. The development plan for the steel industry of the PRC has clearly stipulated that steel plates and H-section steel with high intensity, shock resistance, fire resistance and weather-proof as well as the high-intensity rebar would be the major elements contributing to the improvement of construction sector, which in turn provided a favorable opportunity for the high-end product development of the Group.

In addition, following the strict national restrictions on environmental protection and safety policy, the obsolete steel and iron production capacity will be eliminated and the excess production of steel and iron will be reduced in the near future. As the Group has previously invested substantial resources to work on upgrading its production facilities with the targets to reduce energy consumption and emission, this will provide a favorable condition for the future development of the Group.

With the contributions of increased income from the other business sectors, the Directors believe that the past strategy of developing new business is on the right track and the Group will continue to increase its resources allocated to these new developed business prudently in order to maintain its competitiveness and increase its profit margin.

The Directors are also optimistic that the demand and the selling price of steel products will stabilise in the second half of 2014.

Since its listing in 2004, the Group has continued to expand its business, diversify its steel product categories and business portfolio. During the last ten years (since being listed), the Group's overall crude steel production capacity has reached 11.0 million tonnes per annum from 3.1 million tonnes per annum at the time of the listing. Its product portfolio has grown from billets to a variety of steel product series – each in a comprehensive range of products and is available in different specifications. These product series include H-section steel products, steel pile sheet products, strips and strip products, billets, cold rolled sheets and galvanised sheets and rebar. Moreover, the H-section steel products of the Group commands a leading position in China. The Group has been gradually diversifying its business. In addition to expanding its supply chain through upstream and downstream integration, the Group has also expanded horizontally by tapping into other business sectors. The Group will strive to take full advantage of the current solid financial condition and efficient management to intensify the continuous development of the Group and to maximise the shareholders' value.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2014, save for the following deviation:

Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Han Jingyuan serves as the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that there is no immediate need to segregate the roles of Chairman and the Chief Executive Officer of the Company because the role of chief executive officer/general manager of the Company's major operating subsidiaries are performed by other persons. The Board will consider the segregation of the roles of the Chairman and the Chief Executive Officer of the Company in light of the future development of the operating activities or businesses of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2014.

AUDIT COMMITTEE

During the six months ended 30 June 2014, the audit committee of the Company ("Audit Committee") comprised three Independent Non-executive Directors namely Mr. Wong Man Chung, Francis as the Chairman of the Audit Committee and Mr. Wang Tianyi and Mr. Zhou Guoping as the members of the Audit Committee.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the six months ended 30 June 2014 and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the condensed consolidated financial information have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The interim results announcement of the Company for the six months ended 30 June 2014 is published on both the websites of the Company (www.chinaorientalgroup.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2014 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

The Board would like to take this opportunity to extend its deepest gratitude to its staff for their hard work and dedication to the Group, and to our shareholders for their continuous support and trust in the Company.

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

Hong Kong, 27 August 2014

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. Vijay Kumar Bhatnagar being the Non-executive Director and Mr. Wong Man Chung, Francis, Mr. Wang Tianyi and Mr. Zhou Guoping being the Independent Non-executive Directors.