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 2016

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	Changes
Sales volume *(tonnes)*			
– Self-manufactured steel products	**5.577 million**	5.046 million	+10.5%
– Trading of steel products	**0.003 million**	0.056 million	-94.6%
	5.580 million	5.102 million	+9.4%
Revenue *(RMB)*			
– Sale of self-manufactured steel products	**10.21 billion**	10.28 billion	-0.7%
– Trading of steel products	**0.01 billion**	0.13 billion	-92.3%
– Trading of iron ore	**0.83 billion**	0.45 billion	+87.1%
– Sale of properties	**0.06 billion**	0.05 billion	+9.9%
– Others	**0.34 billion**	0.09 billion	+282.2%
	11.45 billion	11.00 billion	+4.1%
Gross profit/(loss) *(RMB)*			
– Sale of self-manufactured steel products	**1,382 million**	279 million	+395.3%
– Trading of steel products	**1 million**	(2) million	+150.0%
– Trading of iron ore	**(40) million**	24 million	-266.7%
– Sale of properties	**8 million**	5 million	+60.0%
– Others	**24 million**	1 million	+2,300.0%
	1,375 million	307 million	+348.0%
Gross profit per tonne *(RMB)*			
– Sale of self-manufactured steel products	**248 yuan**	55 yuan	+350.9%
EBITDA[1] *(RMB)*	**1,386 million**	717 million	+93.3%
EBITDA[1] margin	**12.1%**	6.5%	N/A
EBIT[2] *(RMB)*	**841 million**	172 million	+389.0%
EBIT[2] margin	**7.3%**	1.6%	N/A

* *For identification purposes only*

	For the six months ended 30 June		
	2016	2015	Changes
Profit before income tax *(RMB)*	**804 million**	37 million	+2,092.0%
Profit for the period *(RMB)*	**541 million**	63 million	+764.7%
Profit for the period attributable to owners of the Company *(RMB)*	**528 million**	74 million	+616.8%
Basic earnings per share *(RMB)*	**0.180 yuan**	0.025 yuan	+620.0%
Return on equity[3]	**6.0%**	0.8%	N/A

	As at		
	30 June 2016	31 December 2015	Changes
Total assets *(RMB)*	**19.44 billion**	22.36 billion	-13.1%
Net assets value per share (exclude non-controlling interests) *(RMB)*	**3.09 yuan**	2.90 yuan	+6.6%
Debt-to-capital ratio[4]	**27.4%**	45.4%	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 and depreciation.

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

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, other long-term payables and borrowings from related parties. Total capital includes non-current borrowings, non-current portion of other long-term payables, non-current portion of borrowings from related parties and its 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 2016 together with the comparative figures for the corresponding period in 2015. PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 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	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		Unaudited	
Revenue	*4*	**11,451,165**	10,996,232
Cost of sales		**(10,075,932)**	(10,689,284)
Gross profit		**1,375,233**	306,948
Other income		**1,879**	9,013
Distribution costs		**(58,664)**	(51,405)
Administrative expenses		**(483,787)**	(194,316)
Other expenses		**(11,797)**	(9,962)
Losses from derivative financial instruments		**(2,569)**	(6,697)
Other gains – net		**21,639**	118,688
Operating profit	*5*	**841,934**	172,269
Finance income	*6*	**48,138**	65,379
Finance costs	*6*	**(85,351)**	(200,992)
Share of result of an associate		**(1,208)**	–
Profit before income tax		**803,513**	36,656
Income tax (expense)/credit	*7*	**(262,810)**	25,873
Profit for the period		**540,703**	62,529
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Fair value gains on available-for-sale financial assets		**1,149**	3,979
Transfer of fair value gains previously credited to reserve to income statement upon disposal of available-for-sale financial assets		–	(8,754)
Total comprehensive income for the period		**541,852**	57,754

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(continued)

	Note	Six months ended 30 June 2016 *RMB'000* Unaudited	2015 *RMB'000*
Profit/(loss)for the period attributable to:			
– owners of the Company		**528,469**	73,723
– non-controlling interests		**12,234**	(11,194)
		540,703	62,529
Total comprehensive income/(loss) attributable to:			
– owners of the Company		**529,618**	68,948
– non-controlling interests		**12,234**	(11,194)
		541,852	57,754
Earnings per share for profit attributable to owners of the Company for the period *(express in RMB per share)*			
– basic and diluted	*8*	**RMB0.180**	RMB0.025

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2016** *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
ASSETS			
Non-current assets			
Leasehold land and land use rights	*10*	**196,189**	140,422
Property, plant and equipment	*10*	**8,913,558**	8,260,356
Investment properties	*10*	**6,769**	6,990
Intangible assets	*10*	**99,379**	79,464
Investment in associates		**7,628**	8,836
Available-for-sale financial assets		**207,053**	109,605
Loan receivables		**400,000**	400,000
Prepayments, deposits and other receivables	*14*	**23,000**	23,000
Deferred income tax assets		**137,422**	377,949
Total non-current assets		**9,990,998**	9,406,622
Current assets			
Properties under development and held for sale	*11*	**1,288,390**	1,313,712
Inventories	*12*	**2,428,631**	2,494,024
Trade receivables	*13*	**770,545**	1,004,526
Prepayments, deposits and other receivables	*14*	**1,251,817**	1,395,156
Financial assets at fair value through profit or loss		**191,764**	131,951
Amounts due from related parties		**5,803**	5,828
Prepaid current income tax		**33,276**	38,128
Notes receivable – bank acceptance notes	*15*	**1,108,271**	2,452,299
Derivative financial instruments		**3,286**	10,233
Restricted bank balances		**960,130**	1,773,697
Cash and cash equivalents		**1,405,753**	2,337,547
Total current assets		**9,447,666**	12,957,101
Total assets		**19,438,664**	22,363,723
EQUITY			
Equity attributable to owners of the Company			
Share capital		**311,853**	311,853
Share premium		**2,192,131**	2,192,131
Other reserves		**1,689,473**	1,670,302
Retained earnings		**4,868,611**	4,340,142
		9,062,068	8,514,428
Non-controlling interests		**311,792**	397,734
Total equity		**9,373,860**	8,912,162

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**30 June 2016** **_RMB'000_** **Unaudited**	31 December 2015 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**325,963**	743,891
Other long-term payables		**1,141,265**	1,181,343
Deferred revenue		**73,418**	86,317
Amounts due to a related party		**51,859**	51,859
Total non-current liabilities		**1,592,505**	2,063,410
Current liabilities			
Trade payables	*16*	**3,860,460**	5,641,030
Accruals, advances and other current liabilities		**3,107,685**	2,846,169
Amounts due to related parties		**28,123**	83,044
Current income tax liabilities		**112,443**	102,795
Derivative financial instruments		**7,179**	3,616
Other long-term payables – current portion		**54,952**	48,441
Borrowings		**1,296,885**	2,658,484
Dividends payable		**4,572**	4,572
Total current liabilities		**8,472,299**	11,388,151
Total liabilities		**10,064,804**	13,451,561
Total equity and liabilities		**19,438,664**	22,363,723

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	
Net cash generated from operating activities	**843,219**	2,434,064
Net cash used in investing activities	**(629,493)**	(69,415)
Net cash used in financing activities	**(1,160,563)**	(1,943,122)
Net (decrease)/increase in cash and cash equivalents	**(946,837)**	421,527
Effect of foreign exchange rate changes	**15,043**	(553)
Cash and cash equivalents, beginning of period	**2,337,547**	849,063
Cash and cash equivalents, end of period	**1,405,753**	1,270,037

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.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 2 March 2004. As announced by the Company, trading in the shares of the Company had been suspended from 29 April 2014 when the public float of the Company fell below 25%.

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 26 August 2016.

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 2016 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 2015, 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 2015, 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 on 1 January 2016:

HKAS 1 (Amendments) "Disclosure initiative" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

HKFRS 7 (Amendments) "Financial instruments: Disclosures condensed interim financial statements" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that the additional disclosure required by the amendments to HKFRS 7 "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 34 (Amendments) "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

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 2016 but not relevant to the Group

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKAS 19 (Amendment)	Employee benefits	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1 January 2016

(c) ***The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 January 2016 and have not been early adopted:***

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 2016 and 2015 were as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Gross sales less discounts, returns and sales taxes		
– Strips and strip products	**3,859,121**	3,430,304
– H-section steel products	**2,989,822**	3,819,567
– Rebar	**1,734,498**	1,373,697
– Billets	**1,025,294**	904,354
– Iron ore	**836,462**	446,995
– Cold rolled sheets and galvanised sheets	**347,942**	672,124
– Sheet piling	**262,326**	208,201
– Real estate	**57,745**	52,565
– Others	**337,955**	88,425
	11,451,165	10,996,232

(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 2015.

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

	Six months ended 30 June 2016		
	Iron and steel	**Real estate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
		Unaudited	
Segment revenue	**11,393,420**	**57,745**	**11,451,165**
Segment operating profit/(loss)	**855,503**	**(13,569)**	**841,934**
Finance costs – net	**(37,421)**	**208**	**(37,213)**
Share of result of an associate	**(1,208)**	**–**	**(1,208)**
Profit before income tax			**803,513**
Income tax expense			**(262,810)**
Profit for the period			**540,703**
Other income statement items			
Depreciation and amortisation	**544,178**	**893**	**545,071**
Capital expenditure	**359,585**	**9**	**359,594**

	Six months ended 30 June 2015		
	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
		Unaudited	
Segment revenue	10,943,667	52,565	10,996,232
Segment operating profit/(loss)	175,399	(3,130)	172,269
Finance costs – net	(135,498)	(115)	(135,613)
Profit before income tax			36,656
Income tax credit			25,873
Profit for the period			62,529
Other income statement items			
Depreciation and amortisation	543,357	1,132	544,489
Capital expenditure	564,734	60	564,794

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, investment in associates, 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 2016 were as follows:

	Iron and steel *RMB'000*	Real estate *RMB'000* Unaudited	Elimination *RMB'000*	Total *RMB'000*
Total assets				
Segment assets for reportable segments	**17,163,195**	**1,560,168**	**(257,500)**	**18,465,863**
Unallocated:				
Deferred income tax assets				**137,422**
Available-for-sale financial assets				**207,053**
Financial assets at fair value through profit or loss				**191,764**
Derivative financial instruments				**3,286**
Loan receivables				**400,000**
Prepaid current income tax				**33,276**
Total assets per balance sheet				**19,438,664**
Total liabilities				
Segment liabilities for reportable segments	**7,167,712**	**1,407,550**	**(257,500)**	**8,317,762**
Unallocated:				
Current income tax liabilities				**112,443**
Current borrowings				**1,296,885**
Non-current borrowings				**325,963**
Derivative financial instruments				**7,179**
Dividends payable				**4,572**
Total liabilities per balance sheet				**10,064,804**

The segment assets and liabilities as at 31 December 2015 were as follows:

	Iron and steel	Real estate	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		Audited		
Total assets				
Segment assets for reportable segments	20,137,987	1,596,049	(438,179)	21,295,857
Unallocated:				
Deferred income tax assets				377,949
Available-for-sale financial assets				109,605
Derivative financial instruments				10,233
Financial assets at fair value through profit or loss				131,951
Loan receivables				400,000
Prepaid current income tax				38,128
Total assets per balance sheet				22,363,723
Total liabilities				
Segment liabilities for reportable segments	9,017,013	1,359,369	(438,179)	9,938,203
Unallocated:				
Current income tax liabilities				102,795
Current borrowings				2,658,484
Non-current borrowings				743,891
Derivative financial instruments				3,616
Dividends payable				4,572
Total liabilities per balance sheet				13,451,561

5. Operating profit

The operating profit of the Group has been credited/(charged) by the following items.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Depreciation of property, plant and equipment *(Note 10)*	**(537,400)**	(537,306)
Rental fee	**(44,462)**	(102,000)
Provision for write-down of inventories to net realisable value *(Note 12)*	**(6,645)**	(62,781)
Provision for impairment of prepayments, deposits and other receivables *(Note 14)*	**(229,892)**	(10,949)
Reversal of impairment of a loan receivable	**10,000**	–
Investment income from financial investments and instruments	**369**	(6,577)
Amortisation of intangible assets *(Note 10)*	**(5,126)**	(5,164)
Amortisation of leasehold land and land use rights *(Note 10)*	**(2,324)**	(1,798)
Provision for impairment of trade receivables *(Note 13)*	**(15,707)**	(1,095)
Provision for impairment of amounts due from a related party	**(19,923)**	–
Depreciation of investment properties *(Note 10)*	**(221)**	(221)
Gain on disposal of subsidiaries	**11,056**	–
Gain/(loss) on disposal of property, plant and equipment	**2,129**	(92)
Reversal of legal claims	**–**	5,105
Gain on disposal of available-for-sale financial assets	**–**	8,754
Government grants	**21,445**	26,781
(Loss)/gain on repurchase of Senior Notes	**(1,041)**	97,430

6. Finance income and costs

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Interest expenses	**(42,870)**	(238,231)
Finance lease liability	**(37,917)**	–
Net foreign exchange losses on borrowings	**(11,010)**	(2,424)
Total finance costs	**(91,797)**	(240,655)
Less: amounts capitalised on qualifying assets	**6,446**	39,663
Finance costs	**(85,351)**	(200,992)
Finance income	**48,138**	65,379
Finance costs – net	**(37,213)**	(135,613)

For the six months ended 30 June 2016, a capitalisation rate of 6.55% (2015: 7.61%) 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/(credit)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax	**56,539**	71,023
– Singapore profit tax	**–**	–
	56,539	71,023
Deferred income tax		
– PRC enterprise income tax	**201,094**	(111,042)
– Singapore profit tax	**5,177**	14,146
	206,271	(96,896)
	262,810	(25,873)

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 of the Company that were incorporated in British Virgin Islands ("BVI") with limited liability under the International Business Companies Act Chapter 291 are exempted from payment of BVI income tax.

No Hong Kong profits tax has been provided since the Company and the subsidiaries traded or incorporated in Hong Kong do not have assessable taxable profits during the six months ended 30 June 2016 after utilising accumulated tax losses (2015: nil). The Directors are of opinion that the accumulated tax losses of the Company and the subsidiaries are unlikely to be utilised in the future. No deferred tax assets were recognised.

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 enterprise 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, the standard tax rate of the Group incorporated in the PRC remains unchanged as 25% during the six months ended 30 June 2016 and 2015.

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 24.13% (2015: -49.28%) to respective profits of the consolidated entities for the six months ended 30 June 2016 and 2015 as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit before taxation	**803,513**	36,656
Taxation calculated at statutory tax rate	**193,896**	(18,065)
Utilise tax losses for which no deferred income tax asset was recognised before	**(3,369)**	(30,401)
Tax losses for which no deferred income tax assets was recognised	**70,985**	9,073
Withholding tax of intra-group interest income	**660**	3,379
Effect of non-deductible expenses	**638**	10,141
	262,810	(25,873)

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	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**528,469**	73,723
Weighted average number of ordinary shares in issue *(thousands)*	**2,931,425**	2,931,425
Basic earnings per share *(RMB per share)*	**0.180**	0.025

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 2016, the Company has one category of dilutive potential ordinary shares: share options.

The diluted earnings per shares is the same as the basic earnings per shares since the employee share options outstanding as at 30 June 2016 would not have dilutive effect on the earnings per share.

9. Dividends

At the board meeting held on 26 August 2016, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

At the board meeting held on 31 March 2016, the Board did not recommend the payment of any final dividend for the year ended 31 December 2015.

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 2016				
Opening carrying amount as at 1 January 2016	**8,260,356**	**140,422**	**6,990**	**79,464**
Additions	**359,594**	**–**	**–**	**–**
Additions from acquiring a subsidiary	**852,385**	**58,091**	**–**	**25,152**
Disposals	**(21,377)**	**–**	**–**	**(111)**
Depreciation and amortisation *(Note 5)*	**(537,400)**	**(2,324)**	**(221)**	**(5,126)**
Closing carrying amount as at 30 June 2016	**8,913,558**	**196,189**	**6,769**	**99,379**
Six months ended 30 June 2015				
Opening carrying amount as at 1 January 2015	8,820,830	136,386	7,431	8,673
Additions	564,581	–	–	80,821
Disposals	(165)	–	–	–
Depreciation and amortisation *(Note 5)*	(537,306)	(1,798)	(221)	(5,164)
Closing carrying amount as at 30 June 2015	8,847,940	134,588	7,210	84,330

11. Properties under development and held for sale

	30 June 2016 *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
Properties under development comprise:		
– Construction costs	**471,823**	459,017
– Land use rights	**492,156**	492,156
– Interests capitalised	**103,354**	92,225
	1,067,333	1,043,398
Completed properties held for sale	**221,057**	270,314
	1,288,390	1,313,712

As at 30 June 2016, no land use rights (31 December 2015: RMB146 million) or construction costs (31 December 2015: nil) was pledged as security for the Group's bank borrowings.

12. Inventories

	30 June 2016 *RMB'000* Unaudited	31 December 2015 *RMB'000* Audited
Raw materials and materials in-transit	**1,610,091**	1,652,243
Work-in-progress	**186,124**	171,445
Finished goods	**632,416**	670,336
	2,428,631	2,494,024

For the six months ended 30 June 2016, the Group recognised a loss of approximately RMB7 million (2015: RMB63 million) in respect of the write-down of inventories to their net realisable values. These changes in provision have been included in "cost of sales" in the interim condensed consolidated statement of comprehensive income.

As at 30 June 2016, inventories with a net book value of RMB84 million (31 December 2015: RMB62 million) were pledged as security for the Group's notes payable (Note 16).

13. Trade receivables

	30 June 2016 *RMB'000* Unaudited	31 December 2015 *RMB'000* Audited
Trade receivables	**796,131**	614,405
Long-term trade receivables – current portion	**–**	400,000
Less: impairment provision for trade receivables	**(25,586)**	(9,879)
Trade receivables – net	**770,545**	1,004,526

The long-term trade receivables – current portion as at 31 December 2015 represented the receivables for the provision of construction services in the previous years, and bore interest at a rate of 6.3% per annum. As at 30 June 2016, the receivables from Qianxi County Jinxi Wantong Ductile Iron Pipe Company Limited had been settled through a business combination.

As at 30 June 2016 and 31 December 2015, 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 2016 and 31 December 2015, the ageing of trade receivables was as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**580,291**	185,201
4-6 months	**40,065**	295,929
7-12 months	**70,464**	44,396
Over 1 year	**105,311**	488,879
	796,131	1,014,405

As at 30 June 2016, trade receivables amounting to approximately RMB378 million (31 December 2015: RMB239 million) were guaranteed by customers' letters of credit.

14. Prepayments, deposits and other receivables

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current		
Prepayments for purchase of property, plant and equipment	**234,235**	234,235
Deposits and other receivables	**23,000**	23,000
Less: impairment provision	**(234,235)**	(234,235)
	23,000	23,000
Current		
Prepayments for purchase of inventories	**750,451**	780,275
Deposits and other receivables	**799,306**	692,667
Prepaid expenses	**16,065**	8,497
Less: impairment provision	**(314,005)**	(86,283)
	1,251,817	1,395,156
	1,274,817	1,418,156

15. Notes receivable – bank acceptance notes

	30 June 2016 *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
Notes receivable – bank acceptance notes	**1,108,271**	2,452,299

As at 30 June 2016, no notes receivable (31 December 2015: RMB582 million) was pledged as security for issuing notes payable (Note 16). In addition, no notes receivable (31 December 2015: RMB844 million) was 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 2016 and 31 December 2015, the ageing analysis of notes receivable was as follows:

	30 June 2016 *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
Within 3 months	**860,671**	1,030,705
4-6 months	**247,600**	1,421,594
	1,108,271	2,452,299

16. Trade payables

	30 June 2016 *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
Account payables	**2,265,486**	2,651,537
Notes payable	**1,594,974**	2,989,493
	3,860,460	5,641,030

As at 30 June 2016, all notes payable represented bank acceptance notes, of which none (31 December 2015: RMB575 million) was secured by certain notes receivable (Note 15), RMB1,507 million (31 December 2015: RMB2,312 million) were secured by restricted bank balances amounting to approximately RMB558 million (31 December 2015: RMB1,008 million), and RMB88 million (31 December 2015: RMB102 million) were secured by inventories (Note 12) and restricted bank balances amounting to approximately RMB84 million (31 December 2015: RMB62 million) and RMB47 million (31 December 2015: RMB59 million) respectively.

As at 30 June 2016 and 31 December 2015, the ageing analysis of the account and notes payables were as follows:

	30 June 2016 *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
Within 3 months	**2,584,185**	3,319,454
4-6 months	**805,291**	1,921,146
7-9 months	**229,890**	125,444
10-12 months	**50,003**	48,059
Over 1 year	**191,091**	226,927
	3,860,460	5,641,030

17. Capital commitments

	30 June 2016 *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
Purchase of property, plant and equipment		
– Contracted but not provided for	**265,419**	266,387
– Authorised but not contracted for	**202,659**	149,873
	468,078	416,260
Purchase of properties under development	**226,180**	291,524
	694,258	707,784

18. Financial guarantee contracts

As at 30 June 2016, Hebei Jinxi Iron and Steel Group Company Limited provided guarantee for bank borrowings in favor of a third party amounted to approximately RMB11 million (2015: RMB11 million). The fair value of the financial guarantee is not significant. The Directors are of the view that such obligations will not cause an outflow of the Group's resources embodying economic benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2016, the PRC steel industry still face a tough challenges. Under the backdrop of Chinese government's "Supply-Side Reform" Policy and reduction of overcapacity in the steel industry, solid achievement was crystallised and the demand and supply in the steel industry gradually improved. While the stock level of steel industry remained low, the positive sales in the real estate section have resulted in substantial increase in the activation of construction projects, resulting in increase in the demand of steel and steel prices. According to the information by China Iron and Steel Association, the PRC Market Steel Composite Price Index increased for 12.32% to 68.69 in the week of 27 June 2016 to 1 July 2016, comparing to 31 December 2015.

Under this background, the Group continued to strive for improvement and optimisation in production cost, environment protection and product mix, thereby enhancing the profit margin and sustainability of the operation. Therefore, the Group achieved a very substantial improvement of its results, with a revenue of approximately RMB11.5 billion for the six months ended 30 June 2016, representing an increase of approximately 4.1% as compared with corresponding period in last year. Comparing with corresponding period in last year, although the average selling price of self-manufactured steel products decreased slightly by 10.2% to RMB1,831 per tonne, the gross profit increased by approximately 395.3% to RMB1.4 billion. The profit for the period reached approximately RMB541 million, representing an increase of approximately 764.7% over last corresponding period of RMB63 million, which is the highest amongst the corresponding periods of last 5 years since 2011.

With respect to the steel business, the Group continued to invest substantially to and endeavored to enhance the competitiveness and economic efficiency of its products. These efforts include improving production facilities to enhance efficiency, developing diverse and high-end products, increasing the share of products with high additional value and reducing emission. Apart from optimising the categories of the existing products, such as strips and section steel, etc., the Group has also developed products to suit for other countries such as the American standards, British standards, Indonesian standards, Egyptian standards, etc., so as to facilitate the penetration of international market. During the period, through the leasing of a production line, the production capacity further increased by 1 million tonnes to 12 million tonnes per annum. The Group has also been investing in its production facilities in order to reduce energy consumption in the steel production process and satisfy emission requirements. The self-generated electricity of the Group has increased to approximately 60% in the first half of 2016 from approximately 50% in the first half of 2015. In the first half of 2016, the Group sold approximately 1.6 million tonnes of self-produced H-section steel products and continued to secure its leading position in the H-section steel market of Mainland China.

With respect to the real estate business, the Group was dedicated in promoting green structural development construction besides developing traditional real estate projects. There is no property development project completed during the six months ended 30 June 2016. The third phase of the Donghu Bay project in Tangshan, the Xintiandi project in Suzhou and the Meishu Hall project in Suzhou are expected to be completed in March 2017, October 2016 and December 2016, respectively.

The sale of the second phase of the Donghu Bay project and the Xintiandi project facilitated the stable development of the real estate business of the Group and brought sustainable income. For the six months ended 30 June 2016, the Group recorded revenue and operating loss from real estate business of approximately RMB58 million and RMB14 million respectively.

During the six months ended 30 June 2016, the revenue and gross loss arising from trading of steel products and iron ore were approximately RMB842 million (six months ended 30 June 2015: approximately RMB571 million) and RMB39 million (six months ended 30 June 2015: gross profit of approximately RMB22 million) respectively.

The Group also engages in financing industry through its subsidiaries, Oriental Fullhero Leasing Company Limited ("Fullhero Leasing"), Oriental Evertrust Finance Leasing Co. Ltd. ("Oriental Evertrust"), Tianjin Oriental Huitong Microcredit Company Limited ("Oriental Huitong"), Beijing Jinxi Investment Holding Co. Ltd. ("Beijing Jinxi Investment") and Tianjin Xinhui Finance Leasing Company Limited ("Tianjin Xinhui"). As at 30 June 2016, Fullhero Leasing, Oriental Evertrust, Oriental Huitong, Beijing Jinxi Investment and Tianjin Xinhui provided loans, net of provision, amounting to RMB400 million to independent third parties at interest rates ranged from 12.0% to 24.0% per annum.

In order to diversify its business, the Group has set up Oriental Jingyuan Science Technology (Beijing) Co. Ltd. and XTAL Inc. which are non-wholly owned subsidiary and associate of the Company respectively to develop core technologies for semiconductor chip design and manufacturing process optimisation/equipment. It is expected that this will bring a great development potential for the Group.

Since the Group introduced the world's largest steel corporation ArcelorMittal as its strategic shareholder in 2008, collaboration between the Group and ArcelorMittal has continued to work closely. ArcelorMittal has appointed experienced executives to the Board of the Group to participate in decision making for the Group's business development and provide technology and professional advice.

BUSINESS REVIEW

Sales Analysis from Sale of Self-manufactured Steel Products

Sales volume

For the six months ended 30 June 2016, the Group's total sales volume was 5.58 million tonnes (2015 corresponding period: 5.05 million tonnes), representing an increase of approximately 10.5%.

The sales volume breakdown during the period was as follows:

	For the six months ended 30 June				
	2016 Sales volume		2015 Sales volume		Increase/ (Decrease) in Sales volume
	('000 tonnes)		*('000 tonnes)*		
H-section steel products	**1,558**	**27.9%**	1,814	35.9%	(14.1%)
Strips and strip products	**2,182**	**39.1%**	1,800	35.7%	21.2%
Cold rolled sheets and galvanised sheets	**122**	**2.2%**	218	4.3%	(44.0%)
Billets	**653**	**11.7%**	492	9.8%	32.7%
Rebar	**962**	**17.3%**	652	12.9%	47.5%
Sheet piling	**100**	**1.8%**	70	1.4%	42.9%
Total	**5,577**	**100%**	5,046	100%	10.5%

Revenue

Revenue for the six months ended 30 June 2016 was RMB10,213 million (2015 corresponding period: RMB10,284 million), representing a decrease of approximately 0.7%.

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					
	2016		2015		Increase/(Decrease) in	
	Revenue	**Average selling price**	Revenue	Average Selling price	Revenue	Average selling price
	(RMB million)	***(RMB/tonne)***	*(RMB million)*	*(RMB/tonne)*		
H-section steel products	**2,990**	**1,918**	3,803	2,097	(21.4%)	(8.5%)
Strips and strip products	**3,859**	**1,769**	3,430	1,906	12.5%	(7.2%)
Cold rolled sheets and galvanised sheets	**348**	**2,848**	672	3,078	(48.2%)	(7.5%)
Billets	**1,025**	**1,570**	884	1,794	16.0%	(12.5%)
Rebar	**1,729**	**1,797**	1,287	1,973	34.3%	(8.9%)
Sheet piling	**262**	**2,617**	208	2,994	26.0%	(12.6%)
Total/Combined	**10,213**	**1,831**	10,284	2,038	(0.7%)	(10.2%)

The decrease in revenue from self-manufactured steel products was primarily due to the decrease in the average selling price of the Group's products by 10.2% to RMB1,831 per tonne for the six months ended 30 June 2016 from RMB2,038 per tonne for the corresponding period in 2015, partially offset by an increase in the sale volume of the Group's products. The decrease in average selling price of the Group's products was mainly due to the continued over-capacity problems in the steel industry in the PRC during the first half of 2016.

Cost of Sales and Gross Profit

The gross profit for the six months ended 30 June 2016 was RMB1,382 million (2015 corresponding period: RMB279 million), representing an increase of 395.3%. Gross profit margin was 13.5% (2015 corresponding period: 2.7%).

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

	For the six months ended 30 June					
	2016			2015		
	Average unit cost *(RMB)*	**Gross profit per tonne *(RMB)***	**Gross profit margin**	Average unit cost *(RMB)*	Gross profit/(loss) per tonne *(RMB)*	Gross profit/(loss) margin
H-section steel products	**1,678**	**240**	**12.5%**	2,012	85	4.0%
Strips and strip products	**1,457**	**312**	**17.6%**	1,821	85	4.5%
Cold rolled sheets and galvanised sheets	**2,585**	**263**	**9.2%**	3,307	(229)	(7.4%)
Billets	**1,452**	**118**	**7.5%**	1,825	(31)	(1.7%)
Rebar	**1,601**	**196**	**10.9%**	1,930	43	2.2%
Sheet piling	**2,326**	**291**	**11.1%**	2,858	136	4.5%
Combined	**1,583**	**248**	**13.5%**	1,983	55	2.7%

Gross profit per tonne of the Group's products increased to RMB248 for the six months ended 30 June 2016 from RMB55 for the corresponding period in 2015, reflecting a substantial increase of 350.9%. Gross profit margin increased to 13.5% for the six months ended 30 June 2016 from 2.7% for the corresponding period in 2015. The significant increase in gross profit margin was primarily due to the decrease in the average unit cost larger than the decrease in the average selling price of the steel products and increase in sales volume of the Group during the six months ended 30 June 2016.

Property Development

For the six months ended 30 June 2016, the revenue from real estate business of the Group amounted to approximately RMB58 million. The GFA of properties delivered was 7,138 m^2. The average selling price of properties delivered was approximately RMB8,090 per m^2.

As at 30 June 2016, the Group had the following projects under construction with a GFA of approximately 233,000 m^2:

No.	City	Property project	Phase of project	GFA under Construction *(m^2)*	Estimate time of completion
1	Tangshan	Donghu Bay	Phase 3	85,250	March 2017
2	Suzhou	Xintiandi	Exterior wall construction	65,670	October 2016
3	Suzhou	Meishu Hall	Renovation	82,455	December 2016

The above projects are expected to be completed from 2016 to 2017 and will contribute stable revenue and profits to our Group.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had a workforce of approximately 12,200 and temporary staff of approximately 1,300. 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 2016, the Group had unutilised banking facilities of approximately RMB1.7 billion (31 December 2015: RMB7.4 billion).

As at 30 June 2016, the current ratio of the Group, representing current assets divided by current liabilities, was 1.1 times (31 December 2015: 1.1 times) and the gearing ratio, representing total liabilities divided by total assets, was 51.8% (31 December 2015: 60.1%).

As at 30 June 2016, the cash and cash equivalents of the Group amounted to approximately RMB1,406 million (31 December 2015: RMB2,338 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

During the six months ended 30 June 2016, the Company repurchased a total of US$62,212,000 in principal amount of the 2017 Senior Notes. As at 30 June 2016, the outstanding principal amount of the 2017 Senior Notes was US$49,156,000.

As at 30 June 2016, borrowings of RMB1,393 million of the Group bore fixed interest rates ranged from 1.6% to 7.0% per annum and borrowings of RMB230 million of the Group bore floating rates ranged from 3.6% 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 2016 and year ended 31 December 2015.

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, other long-term payables and borrowings from related parties. The Group regards its non-current borrowings, non-current portion of other long-term payables, 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 2016, the debt-to-capital ratio of the Group was 27.4% (31 December 2015: 45.4%).

The consolidated interest expenses and capitalised interest for the six months ended 30 June 2016 amounted to RMB81 million (2015 corresponding period: RMB238 million). The interest coverage (divide earnings before finance costs – net and income tax expense by total interest expenses) was 10.4 times (2015 corresponding period: 0.7 times).

Capital commitments

As at 30 June 2016, the Group had capital commitments of approximately RMB694 million (31 December 2015: RMB708 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 2016, the Group's contingent liabilities amounted to approximately RMB11 million (31 December 2015: RMB11 million), which was the provision of guarantee for bank borrowings in favour of a third party.

Pledge of Assets

As at 30 June 2016, the net book value of the Group's land use right amounting to RMB58 million (31 December 2015: nil), land use right under properties under development amounting to nil (31 December 2015: approximately RMB146 million), inventories amounting to approximately RMB84 million (31 December 2015: approximately RMB62 million), notes receivable amounting to nil (31 December 2015: approximately RMB1,426 million) and restricted bank balances amounting to approximately RMB724 million (31 December 2015: approximately RMB1,774 million) had been pledged as security for the Group's notes payable, bank borrowings and letter of credit issuing.

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. In view of the continuous decrease of the RMB exchange rate against USD since the reform in RMB exchange policy in 2015, during the six months ended 30 June 2016, the Group has entered into certain foreign currency forward contracts so as to reduce the impact of the volatility of the RMB exchange rate against USD. The Group also reviewed and rearranged its monetary assets to mitigate the impact from the change of RMB to USD exchange rate.

Iron Ore Swaps

In view of the significant fluctuation of iron ore price during the six months ended 30 June 2016, the Group has been cautious in entering into iron ore swap contracts so as to reduce the potential negative impact of the iron ore swap contracts.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015 corresponding period: nil).

Post Balance Sheet Events

Save as disclosed below, there are no events to cause material impact on the Group from the balance sheet date to the date of this announcement that should be disclosed.

(a) According to the announcement of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 July 2016, the Stock Exchange is minded to exercise its power to cancel the listing of the shares of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In this regard, the Stock Exchange requires that the Company must have remedied the public float issue by 27 January 2017. Should the Company fail to do so, the Stock Exchange may proceed with cancelling the Company's listing.

(b) On 12 August 2016, Oriental Green Energy-Saving Environmental Protection Engineering Co. Ltd. ("Oriental Green"), an indirect non-wholly owned subsidiary of the Company, entered into the investment in shares agreement with Bank of Cangzhou Co. Ltd. ("Bank of Cangzhou"), an independent third party of the Group relating to the investment pursuant to which Oriental Green agreed to invest and subscribe for, and Bank of Cangzhou agreed to issue and allot 100,000,000 ordinary shares, which is approximately 3.0% of the enlarged issued share capital of Bank of Cangzhou after completion of the private subscription for the consideration of approximately RMB230 million. The payment of the consideration will be financed by the Group's internal financial resources. Completion date is expected to be on or before 31 August 2016.

FUTURE PROSPECTS

In the second half of 2016, it is expected that there will be no material change in the market and business environment of steel industry in the Mainland China. Further, it is expected that the steel price will remain in current level with fluctuations. The steel industry will still face a challenging environment and the pressure on industry consolidation and reduction of overcapacity will increase.

Under such economic environment, the Group commenced the "year of management" activities in the beginning of 2016 in order to maintain its competitiveness by continuous improvement in production efficiency, developing and increasing the number of high value-added products, reducing production costs, maintain low inventory level, capturing additional market share and optimising the utilisation of internal resources.

In the second half of 2016, the Group will continue to focus on the development of high-end steel products including high strength and high and low temperature repercussive H-section steel products, sheet piling products and products to suit for the standard of other countries, to improve the quality of sheet piling products and to increase the market share of high value-added products. In addition, the Group intends to set up joint ventures with Oriental Sheet Piling Sdn. Bhd., a subsidiary of ArcelorMittal, to capture the business opportunities of sheet piling products. This will enhance the core competitiveness of the Group. The Group will continue to keep an eye on state projects which will consume large volume of steel, collect more information about market shortages and product information to guide its new product development. In addition, it will strengthen the control of operating risks and production procedure to enhance the function of risk control department, to increase the general risk resistance capacity of the Group and to maintain a stable operation.

Since its listing in 2004, the Group has continued to expand its business, diversify its steel product categories and business portfolio.

During the last twelve years (since being listed), the Group's overall crude steel production capacity has reached 12.0 million tonnes per annum from 3.1 million tonnes per annum as at the time of the listing. Steel product series include H-section steel products, sheet piling products, strips and strip products, billets, cold rolled sheets and galvanised sheets and rebar. The Group keeps developing different series of product with different specification to cater the market demand. 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 tapped into real estate business and 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 its shareholders' value.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Apart from the repurchase of a total of principal amount of US$62,212,000 of the 2017 Senior Notes, 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 2016.

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 Listing Rules throughout the six months ended 30 June 2016, 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 the 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 2016.

AUDIT COMMITTEE

During the period from 1 January 2016 to 31 March 2016, the 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 (resigned on 1 April 2016) as the members of the Audit Committee. Since Mr. Zhou Guoping resigned on 1 April 2016 and up to 30 June 2016, the Audit Committee comprised two Independent Non-executive Directors and the Company has been unable to meet the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules regarding to (i) include at least three independent non-executive directors; (ii) must appoint independent non-executive directors representing at least one-third of the Board; and (iii) must comprise a minimum of three members of non-executive directors only for the formation of the audit committee. Following the appointment of Mr. Wang Bing as an Independent Non-executive Director and a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 15 July 2016, the Board has then fulfilled the requirements under the aforementioned Listing Rules. Further details can be referred to the announcement of the Company dated 15 July 2016.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the six months ended 30 June 2016 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 2016

The interim results announcement of the Company for the six months ended 30 June 2016 is published on both the websites of the Company (www.chinaorientalgroup.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2016 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

PUBLIC FLOAT

Trading in the shares of the Company had been suspended from 29 April 2014 when the public float of the Company fell below 25%. The Stock Exchange indicated that the Company is required to suspend trading in the shares of the Company until the minimum public float is restored.

Please refer to the Company's announcements dated 30 December 2013, 11 April 2014, 5 May 2014, 30 May 2014, 6 July 2014, 20 August 2014, 26 August 2014, 5 September 2014, 16 October 2014, 21 November 2014, 16 December 2014, 13 February 2015, 18 March 2015, 16 April 2015, 15 May 2015, 29 May 2015, 15 June 2015, 17 July 2015, 14 August 2015, 14 September 2015, 6 October 2015, 6 November 2015, 7 December 2015, 7 January 2016, 5 February 2016, 4 March 2016, 7 April 2016, 9 May 2016, 10 June 2016, 8 July 2016 and 10 August 2016, and the announcement of the Stock Exchange dated 27 July 2016 in relation to the proceeding to the cancellation of listing of the Company by the Stock Exchange for details.

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

If the Company fails to remedy the public float issue by 27 January 2017, the Stock Exchange may proceed with cancellation of the listing of the Company.

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

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 its 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, 26 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.