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 2012

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June Unaudited Consolidated		
	2012	2011	Change
Sales volume *(tonnes)*			
– Selling of self-manufactured steel products	**4.71 million**	4.84 million	-2.7%
– Trading of steel products	**0.54 million**	0	N/A
	5.25 million	4.84 million	+8.5%
Revenue *(RMB)*			
– Selling of self-manufactured steel products	**16.79 billion**	19.65 billion	-14.6%
– Trading of steel products	**1.83 billion**	0	N/A
– Sales of real estates	**0.18 billion**	0	N/A
	18.80 billion	19.65 billion	-4.3%
Gross profit *(RMB)*			
– Selling of self-manufactured steel products	**812 million**	1,988 million	-59.2%
– Trading of steel products	**29 million**	0	N/A
– Sales of real estates	**44 million**	0	N/A
	885 million	1,988 million	-55.5%
Gross profit per tonne *(RMB)*			
– Selling of self-manufactured steel products	**172 yuan**	411 yuan	-58.2%
– Trading of steel products	**54 yuan**	0	N/A
EBITDA[1] *(RMB)*	**1,058 million**	2,288 million	-53.8%
EBITDA[1] margin	**5.6%**	11.6%	N/A
EBIT[2] *(RMB)*	**606 million**	1,837 million	-67.0%
EBIT[2] margin	**3.2%**	9.3%	N/A

* *For identification purpose only*

	For the six months ended 30 June Unaudited Consolidated		
	2012	2011	Change
Profit before income tax *(RMB)*	**431 million**	1,752 million	-75.4%
Profit for the period *(RMB)*	**268 million**	1,295 million	-79.3%
Profit for the period attributable to owners of the Company *(RMB)*	**249 million**	1,155 million	-78.4%
Basic earnings per share *(RMB)*	**0.09 yuan**	0.39 yuan	-76.9%
Return on equity[3]	**2.8%**	13.5%	N/A
Debt-to-capital ratio[4]	**59.0 %**	53.6%	N/A
	As at		
	30 June 2012	31 December 2011	
Total assets *(RMB)*	**24.79 billion**	22.93 billion	+8.1%
Net assets value per share (exclude non-controlling interests) *(RMB)*	**3.12 yuan**	3.03 yuan	+3.0%

1 China Oriental Group Company Limited (the "Company") defines EBITDA as profit for the period before finance costs-net, amortisation of intangible assets, amortisation of leasehold land and land use rights, income tax expense, depreciation, share-based payments and non-recurring items. Non-recurring items for the six months ended 30 June 2012 included RMB 108.4 million as reversal of written down of inventories to net realisable value made in previous year.

2 The Company defines EBIT as profit for the peirod before finance costs-net, income tax expense, share-based payments and non-recurring items. Non-recurring items for the six months ended 30 June 2012 included RMB 108.4 million as reversal of written down of inventories to net realisable value made in previous year.

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, finance lease obligations and borrowings from related parties. Total capital includes its non-current borrowings, non-current portion of its finance lease obligations and 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 2012 together with the comparative amounts for the corresponding period in 2011. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 has been reviewed by the Company's Audit Committee. PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 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 ("HKICPA").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	*RMB'000*
		Unaudited	
Revenue	*4*	**18,798,728**	19,651,580
Cost of sales		**(17,913,731)**	(17,663,919)
Gross profit		**884,997**	1,987,661
Other income		**20,252**	31,535
Distribution costs		**(50,505)**	(46,108)
Administrative expenses		**(222,656)**	(197,607)
Other expenses		**(25,041)**	(18,240)
Other gains – net		**62,923**	52,697
Operating profit	*5*	**669,970**	1,809,938
Finance income		**73,651**	55,219
Finance costs		**(305,052)**	(115,089)
Share of result of an associate		**(7,298)**	2,347
Profit before income tax		**431,271**	1,752,415
Income tax expense	*6*	**(163,633)**	(456,991)
Profit for the period		**267,638**	1,295,424
Other comprehensive income:			
Fair value (losses)/gains on available-for-sale financial assets		**(654)**	28,766
Total comprehensive income for the period		**266,984**	1,324,190
Profit for the period attributable to:			
– owners of the Company		**249,204**	1,154,530
– non-controlling interests		**18,434**	140,894
		267,638	1,295,424
Total comprehensive income attributable to:			
– owners of the Company		**248,550**	1,183,296
– non-controlling interests		**18,434**	140,894
		266,984	1,324,190
Earnings per share for profit attributable to owners of the Company during the period *(express in RMB per share)*			
– basic	*7*	**0.09**	0.39
– diluted	*7*	**0.08**	0.39
Dividends	*8*	**–**	241,351

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2012** *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**8,658,120**	8,395,398
Leasehold land and land use rights	*9*	**135,426**	137,128
Investment properties	*9*	**15,581**	15,984
Intangible assets	*9*	**8,546**	8,530
Investment in an associate		**5,399**	12,697
Available-for-sale financial assets		**167,322**	167,976
Prepayments, deposits and other receivables	*10*	**1,015,768**	539,647
Loan receivable	*11*	**300,000**	300,000
Deferred income tax assets		**100,006**	192,694
Total non-current assets		**10,406,168**	9,770,054
Current assets			
Properties under development and held for sale	*12*	**365,910**	368,857
Inventories	*13*	**3,784,130**	4,615,903
Trade receivables	*14*	**313,566**	396,181
Other current assets		**15,069**	10,378
Prepayments, deposits and other receivables	*10*	**2,674,222**	1,995,653
Loan receivable	*11*	**5,000**	20,000
Amounts due from related parties		**106,795**	65,831
Notes receivable – bank acceptance notes	*15*	**4,986,785**	3,830,658
Restricted bank balances		**1,034,305**	891,396
Cash and cash equivalents		**1,100,993**	965,082
Total current assets		**14,386,775**	13,159,939
Total assets		**24,792,943**	22,929,993
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares		**311,772**	311,715
Share premium		**2,191,087**	2,190,291
Other reserves		**1,410,678**	1,370,287
Retained earnings		**5,240,531**	4,991,327
		9,154,068	8,863,620
Non-controlling interests		**511,266**	647,730
Total equity		**9,665,334**	9,511,350

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**30 June 2012** ***RMB'000*** **Unaudited**	31 December 2011 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	**5,577,156**	5,360,962
Other long-term payables		**26,129**	133,517
Deferred revenue		**45,784**	38,020
Amounts due to related parties		**51,859**	17,304
Total non-current liabilities		**5,700,928**	5,549,803
Current liabilities			
Trade payables	*17*	**3,133,047**	2,106,100
Accruals, advances and other payables	*18*	**3,094,445**	3,092,553
Amounts due to related parties		**108,243**	101,147
Current income tax liabilities		**48,446**	193,072
Other long-term payables – current portion		**230,882**	223,546
Borrowings	*16*	**2,811,618**	2,152,422
Total current liabilities		**9,426,681**	7,868,840
Total liabilities		**15,127,609**	13,418,643
Total equity and liabilities		**24,792,943**	22,929,993
Net current assets		**4,960,094**	5,291,099
Total assets less current liabilities		**15,366,262**	15,061,153

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Net cash used in operating activities	**(563,523)**	(262,492)
Net cash used in investing activities	**(128,792)**	(527,703)
Net cash generated from financing activities	**826,347**	572,408
Net increase/(decrease) in cash and cash equivalents	**134,032**	(217,787)
Cash and cash equivalents as at 1 January	**965,082**	2,223,245
Effect of foreign exchange rate changes	**1,879**	(15,019)
Cash and cash equivalents as at 30 June	**1,100,993**	1,990,439

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 on 2 March 2004.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is mainly engaged in the manufacture and sales of iron and steel products. 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.

This condensed consolidated interim financial information was presented in RMB thousand, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 23 August 2012.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with 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 2011, 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 2011, as described in those annual financial statements.

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

(b) Amendments and interpretations to existing standards effective for the period commencing on 1 January 2012 but are not relevant or do not have material impact to the Group:

- HKFRS 7 (Amendment) 'Disclosures – Transfers of financial assets'.
- HKFRS 1 (Amendment) 'Severe hyperinflation and removal of fixed dates for first-time adopters'.
- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets'.

(c) There are certain new and amended standards that have been issued but are not yet effective. The Group is assessing the impact of those new and amended standards and considers those new and amended standards would not have material impact on the Group currently.

4. Sales and segment information

(a) Sales

The Group is principally engaged in the manufacture and sales of iron and steel products. Sales recognised for the six months ended 30 June 2012 and 2011 were as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Sales:		
Gross sales, less discounts and returns		
– H-section steel products	**6,051,500**	7,008,358
– Strips and strip products	**6,719,227**	7,672,658
– Cold rolled sheets and galvanised sheets	**1,231,379**	1,151,487
– Billets	**3,195,844**	3,078,500
– Rebar	**1,377,491**	664,262
– Real estates	**176,205**	–
– Others	**47,082**	76,315
	18,798,728	19,651,580

(b) Segment information

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

Based on these reports, the decision-maker considers the business from a business perspective. From a business perspective, the 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

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

The 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 annual financial statements.

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

	Six months ended 30 June 2012		
	Iron and steel	**Real estate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
		Unaudited	
Segment revenue	**18,622,523**	**176,205**	**18,798,728**
Segment operating profit	**635,347**	**34,623**	**669,970**
Finance (costs)/income – net	**(231,439)**	**38**	**(231,401)**
Share of result of an associate	**(7,298)**	**–**	**(7,298)**
Profit before income tax			**431,271**
Income tax expense			**(163,633)**
Profit for the period			**267,638**
Other income statement items			
Depreciation and amortization	**452,190**	**234**	**452,424**
Capital expenditure	**750,989**	**119**	**751,108**

	Six months ended 30 June 2011		
	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
		Unaudited	
Segment revenue	19,651,580	–	19,651,580
Segment operating profit	1,818,248	(8,310)	1,809,938
Finance costs – net	(59,870)	–	(59,870)
Share of result of an associate	2,347	–	2,347
Profit before income tax			1,752,415
Income tax expense			(456,991)
Profit for the period			1,295,424
Other income statement items			
Depreciation and amortization	450,796	186	450,982
Capital expenditure	321,974	243	322,217

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 all assets of the Group except for available-for-sale financial assets, deferred tax assets and loans receivable.

Segment liabilities are those operating liabilities that result from the operating activities of a segment.

The segment assets and liabilities as at 30 June 2012 are as follows:

	Iron and steel *RMB'000*	Real estate *RMB'000*	Total *RMB'000*
		Unaudited	
Total segment assets	**23,721,844**	**498,771**	**24,220,615**
Total assets includes:			
Investment in an associate	**5,399**	**–**	**5,399**
Segment assets for reportable segments			**24,220,615**
Unallocated:			
Deferred income tax assets			**100,006**
Available-for-sale financial assets			**167,322**
Loans receivable			**305,000**
Total assets per balance sheet			**24,792,943**

	Iron and steel *RMB'000*	Real estate *RMB'000*	Total *RMB'000*
		Unaudited	
Total segment liabilities	**6,320,578**	**365,234**	**6,685,812**
Segment liabilities for reportable segments			**6,685,812**
Unallocated:			
Current income tax liabilities			**48,446**
Current borrowings			**2,811,618**
Non-current borrowings			**5,577,156**
Dividends payable			**4,577**
Total liabilities per balance sheet			**15,127,609**

The segment assets and liabilities as at 31 December 2011 are as follows:

	Iron and steel *RMB'000*	Real estate *RMB'000* Audited	Total *RMB'000*
Total segment assets	21,720,916	528,407	22,249,323
Total assets includes:			
Investment in an associate	12,697	–	12,697
Segment assets for reportable segments			22,249,323
Unallocated:			
Deferred income tax assets			192,694
Available-for-sale financial assets			167,976
Loans receivable			320,000
Total assets per balance sheet			22,929,993

	Iron and steel *RMB'000*	Real estate *RMB'000* Audited	Total *RMB'000*
Total segment liabilities	5,395,652	311,944	5,707,596
Segment liabilities for reportable segments			5,707,596
Unallocated:			
Current income tax liabilities			193,072
Current borrowings			2,152,422
Non-current borrowings			5,360,962
Dividends payable			4,591
Total liabilities per balance sheet			13,418,643

5. Operating profit

The following items have been credited/(charged) to the operating profit during the six months ended 30 June 2012 and 2011:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Share options granted to directors and employees	**(51,340)**	(24,315)
Gain on disposal of property, plant and equipment	**830**	4,343
Depreciation of property, plant and equipment *(Note 9)*	**(450,307)**	(448,869)
Amortisation of leasehold land and land use rights *(Note 9)*	**(1,702)**	(1,702)
Depreciation of investment properties *(Note 9)*	**(403)**	(403)
Amortisation of intangible assets *(Note 9)*	**(12)**	(8)

6. Income tax expense

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax	**65,967**	465,256
– Overseas taxations	**4,978**	1,460
Deferred income tax	**92,688**	(9,725)
	163,633	456,991

7. 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	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**249,204**	1,154,530
Weighted average number of ordinary shares in issue *(thousands)*	**2,929,960**	2,929,725
Basic earnings per share *(RMB per share)*	**0.09**	0.39

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 2012, the Company has one category of dilutive potential ordinary shares: share options.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**249,204**	1,154,530
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,929,960**	2,929,725
Adjustments for options *(thousands)*	**9,730**	34,785
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,939,690**	2,964,510
Diluted earnings per share *(RMB per share)*	**0.08**	0.39

8. Dividends

At a meeting held on 23 August 2012, the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: HK$292.97 million (approximately RMB241.35 million)).

9. 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 2012				
Opening carrying amount as at 1 January 2012	**8,395,398**	**137,128**	**15,984**	**8,530**
Additions	**751,080**	**–**	**–**	**28**
Disposals	**(38,051)**	**–**	**–**	**–**
Depreciation and amortisation *(Note 5)*	**(450,307)**	**(1,702)**	**(403)**	**(12)**
Closing carrying amount as at 30 June 2012	**8,658,120**	**135,426**	**15,581**	**8,546**
Six months ended 30 June 2011				
Opening carrying amount as at 1 January 2011	7,946,548	116,949	16,789	36
Additions	322,217	–	–	–
Acquisition of a subsidiary	76,727	–	–	8,498
Disposals	(30,857)	–	–	–
Depreciation and amortisation *(Note 5)*	(448,869)	(1,702)	(403)	(8)
Closing carrying amount as at 30 June 2011	7,865,766	115,247	16,386	8,526

10. Prepayments, deposits and other receivables

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Non-current		
Debt receivables for purchase of property, plant and equipment *(i)*	**935,554**	436,818
Receivables for operating leases *(ii)*	**80,214**	102,829
	1,015,768	539,647
Current		
Prepayments for purchase of inventories	**1,712,997**	1,076,465
Deposits and other receivables	**956,261**	907,876
Receivables for operating leases, current portion *(ii)*	**26,269**	32,617
Less: Impairment provision for deposits	**(21,305)**	(21,305)
	2,674,222	1,995,653
	3,689,990	2,535,300

(i) As at 30 June 2012, the Group has an outstanding debt receivable from Qianxi County Jinxi Wan Tong Ductile Iron Pipes Co., Ltd. ("Jinxi Wantong"), a third party, amounting to RMB 486 million approximately. As announced by the Company on 13 July 2012, the Group has the intention to acquire part of the assets of Jinxi Wantong, and the outstanding debt receivable will form part of the consideration for the intended acquisition. This intended acquisition of assets is subject to the completion of the assets appraisal and due diligence review to the satisfaction of the Group.

As at 30 June 2012, the Group has an outstanding debt receivable from Tangshan Fengrun Hengfeng Iron and Steel Company Limited ("Hengfeng Iron and Steel"), a third party, amounting to RMB 450 million approximately. Pursuant to the original letter of intent and the supplementary letter of intent entered into between Hebei Jinxi Iron and Steel Group Zhengda Iron and Steel Co., Ltd. ("Zhengda Iron and Steel") and Hengfeng Iron and Steel on 9 November 2011 and 5 July 2012 respectively, the Group has the intention to acquire part of the assets from Hengfeng Iron and Steel, and the outstanding debt receivable will form part of the consideration for the intended acquisition. This intended acquisition of assets is subject to the completion of assets appraisal and due diligence review to the satisfaction of the Group.

(ii) Pursuant to various agreements entered into in 2011, Hebei Jinxi Iron and Steel Group Company Limited ("Jinxi Limited") paid considerations totaling approximately RMB 228 million and obtained 51% equity interests in each of five companies that own the mining rights of Qianxi Gaojiadian Iron Mine (the "Gao Jia Dian Mine"). In January 2011, pursuant to a cooperation agreement entered with Mr. Wei, a third-party individual, from 1 March 2011 to 28 February 2017 (the "Grant Period"), Jinxi Limited conveyed to Mr. Wei all the voting rights relating to the financial and operating policies of the five companies, Tangshan Jinxi Mining Company Limited (a subsidiary of the Group), as well as the mining rights of Gao Jia Dian Mine. Mr. Wei is exclusively entitled to the profit and net assets accumulated by the six companies and the mining rights of Gao Jia Dian Mine during the Grant Period. As a return, Mr. Wei pays cash consideration of RMB 33 million annually during the Grant Period and a deposit of RMB 10 million which will offset the last payment in 2017.

In the opinion of the Directors, the Group was regarded as effectively disposed of its equity interests in the six companies and the mining rights of Gao Jia Dian Mine in return for a long-term lease fee receivable from Mr. Wei. Accordingly, the Group recognized an asset of receivable for operating lease which was determined based on the present value of the total cash receivable amounting to approximately RMB 179 million at inception of the lease on 1 March 2011, and a loss of RMB 49 million during the year ended 31 December 2011.

During the six months ended 30 June 2012, the Group received the second payment of RMB 33 million from Mr. Wei. As at 30 June 2012, the Directors of the Company do not foresee any collectability problems of such receivables.

(iii) As at 30 June 2012 and 31 December 2011, the carrying amounts of the Group's deposits and other receivables approximated their fair value.

11. Loans receivable

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-Current		
Loan receivable	**300,000**	300,000
Current		
Loan receivable	**5,000**	20,000
	305,000	320,000

The loan receivable of RMB 300 million is secured by the pledge of certain property, plant and equipment, with interest at a rate of 12% per annum, and will be fully collected in July 2014.

The loan receivable of RMB 5 million is unsecured, with interest at a rate of 12% per annum and will be fully collected within one year.

As at 30 June 2012 and 31 December 2011, the carrying amounts of loans receivable approximated their fair value.

12. Properties under development and held for sale

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Properties under development		
– Construction costs	**93,888**	175,417
– Land use rights	**166,259**	193,440
	260,147	368,857
Completed properties held for sale	**105,763**	–
	365,910	368,857

13. Inventories

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Raw materials and materials in-transit	**2,603,623**	3,690,877
Work-in-progress	**427,768**	394,369
Finished goods	**752,739**	530,657
	3,784,130	4,615,903

14. Trade receivables

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**318,489**	399,788
Less: impairment provision	**(4,923)**	(3,607)
Trade receivables – net	**313,566**	396,181

The credit policy usually adopted by the Group for the sales of iron and steel products to customers is to deliver goods either upon receipt in cash, bank acceptance notes or letters of credit.

As at 30 June 2012 and 31 December 2011, the ageing of trade receivables was as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**252,760**	344,578
4-6 months	**25,988**	18,630
7-12 months	**30,475**	36,580
Over 1 year	**9,266**	–
	318,489	399,788

As at 30 June 2012, trade receivables amounting to approximately RMB 38 million (31 December 2011: RMB 40 million) were guaranteed by letters of credit provided by customers.

15. Notes receivable – bank acceptance notes

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Notes receivable – bank acceptance notes	**4,986,785**	3,830,658

As at 30 June 2012, notes receivable of approximately RMB 263 million (31 December 2011: RMB 147 million) were pledged as security for issuing notes payable (Note 17). In addition, notes receivable of approximately RMB 186 million (31 December 2011: RMB 14 million) were pledged as security for the Group's borrowings (Note 16).

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 2012 and 31 December 2011, the ageing analysis of notes receivable was as follows:

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Within 3 months	**2,677,569**	1,948,634
4-6 months	**2,309,216**	1,882,024
	4,986,785	3,830,658

16. Borrowings

	30 June 2012 *RMB'000* Unaudited	31 December 2011 *RMB'000* Audited
Non-current		
Senior Notes *(i)*	**5,327,156**	5,295,962
Bank borrowings, secured *(ii)*	**150,000**	–
Bank borrowings, unsecured	**100,000**	65,000
	5,577,156	5,360,962
Current		
Bank borrowings, secured *(ii)*	**782,909**	651,134
Bank borrowings, unsecured	**1,963,709**	1,436,288
Other borrowings, unsecured *(iii)*	**65,000**	65,000
	2,811,618	2,152,422
Total borrowings	**8,388,774**	7,513,384

(i) On 18 August 2010, the Group issued US$ 550 million Senior Notes, which bears interest at 8% per annum payable semi-annually, to finance its potential acquisitions and investments, capital expenditure projects and working capital requirements. These Senior Notes are wholly repayable on 18 August 2015 (the "2015 Senior Notes").

On 17 November 2010, the Group issued US$ 300 million Senior Notes, which bears interest at 7% per annum payable semi-annually, to refinance its outstanding short-term debts. These Senior Notes are wholly repayable on 17 November 2017 (the "2017 Senior Notes").

During the six months ended 30 June 2012, Mr. Han Jingyuan ("Mr. Han"), the Chairman and Chief Executive Officer of the Company, bought and sold certain 2015 Senior Notes which were either beneficially owned by Mr. Han personally, or beneficially owned by his two associates, Wellbeing Holdings Limited ("Wellbeing"), which Mr. Han beneficially owned 63.15% of its issued capital, and Eastland International Trading Limited ("Eastland"), which is wholly owned by Mr. Han. The movements in the 2015 Senior Notes traded are as follows:

		Mr. Han *US$'000*	Wellbeing *US$'000*	Eastland *US$'000*	Total *US$'000*
As at 31 December 2011		**7,000**	**14,500**	**4,500**	**26,000**
Buy	6 January 2012	**2,000**	**–**	**–**	**2,000**
Buy	9 January 2012	**2,500**	**–**	**–**	**2,500**
Sell	23 April 2012	**–**	**(2,000)**	**–**	**(2,000)**
Sell	25 April 2012	**(4,500)**	**(4,000)**	**–**	**(8,500)**
Sell	4 May 2012	**(5,750)**	**–**	**–**	**(5,750)**
As at 30 June 2012		**1,250**	**8,500**	**4,500**	**14,250**

(ii) As at 30 June 2012, the Group's secured bank borrowings were secured by the pledge of restricted bank balances of the Group with carrying amount of approximately RMB 451 million (31 December 2011: RMB 601 million), notes receivable of approximately RMB 186 million (31 December 2011: RMB 14 million) (Note 15) and inventories of the Group with carrying amount of approximately RMB 124 million (31 December 2011: RMB 61 million). As at 31 December 2011, bank borrowings were also secured by the pledge of certain property, plant and equipment of the Group with carrying amount of approximately RMB 41 million.

(iii) Other borrowing, unsecured represented a borrowing from the local county government amounting to RMB 65 million (31 December 2011: RMB 65 million) which has no fixed term of repayment. Interest is charged at the RMB bank deposit rate for 1 year fixed deposit.

(iv) Movements in borrowings were analysed as follows:

	RMB'000 Unaudited
Six months ended 30 June 2012	
As at 1 January 2012	**7,513,384**
Proceeds from borrowings	**3,411,398**
Repayments of borrowings	**(2,577,637)**
Foreign exchange loss	**41,629**
As at 30 June 2012	**8,388,774**
Six months ended 30 June 2011	
As at 1 January 2011	6,471,279
Proceeds from borrowings	2,643,425
Repayments of borrowings	(1,584,886)
Foreign exchange gain	(135,385)
As at 30 June 2011	7,394,433

As at 30 June 2012 and 31 December 2011, the Group's borrowings were repayable as follows:

	Bank borrowings		Senior Notes and other borrowings	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	Unaudited	Audited	**Unaudited**	Audited
Within 1 year	**2,746,618**	2,087,422	**65,000**	65,000
Between 1 and 2 years	**100,000**	65,000	**–**	–
Between 2 and 5 years	**150,000**	–	**3,443,308**	3,421,795
Over 5 years	**–**	–	**1,883,848**	1,874,167
Total	**2,996,618**	2,152,422	**5,392,156**	5,360,962

The effective interest rates at the balance sheet date were as follows:

	30 June 2012 Unaudited			31 December 2011 Audited		
	RMB	***HK$***	***US$***	*RMB*	*HK$*	*US$*
Senior Notes	**–**	**–**	**7.00%-8.00%**	–	–	7.00%-8.00%
Bank borrowings	**6.31%-8.56%**	**–**	**1.70%-4.25%**	5.99%-8.56%	2.18%	1.71%-4.85%
Other borrowings	**3.25%**	**–**	**–**	3.50%	–	–

Interest expenses on borrowings for the six months ended 30 June 2012 were RMB 285 million (2011: RMB 259 million), of which RMB 29 million (2011: RMB 26 million) arising from financing the construction of plant and equipments was capitalised during the period and was capitalised in property, plant and equipment. A capitalisation rate of 7.40% (2011: 6.66%) was used, representing the average borrowing cost of the loans relating to financing the project.

17. Trade payables

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**1,875,849**	1,734,258
Notes payable	**1,257,198**	371,842
	3,133,047	2,106,100

As at 30 June 2012, all notes payable represented bank acceptance notes, of which RMB 403 million (31 December 2011: RMB 147 million) were secured by certain notes receivable (Note 15), RMB 729 million (31 December 2011: RMB 195 million) were secured by restricted bank balances amounting to approximately RMB 448 million (31 December 2011: RMB 156 million), and RMB 125 million (31 December 2011: RMB 30 million) were secured by inventories and restricted bank balances amounting to approximately RMB 89 million (31 December 2011: RMB 61 million) and RMB 39 million (31 December 2011: RMB 9 million) respectively.

As at 30 June 2012 and 31 December 2011, the ageing analysis of the trade payables was as follows:

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Within 3 months	**2,457,729**	1,783,488
4-6 months	**549,591**	245,285
7-9 months	**68,553**	17,620
10-12 months	**19,933**	10,465
Above 1 year	**37,241**	49,242
	3,133,047	2,106,100

18. Accruals, advances and other payables

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Accruals	**278,238**	377,287
Advances from customers	**2,047,564**	1,971,855
Value-added tax payable and other taxes payables	**32,133**	158,601
Dividends payable	**4,577**	4,591
Other payables (i)	**731,933**	580,219
	3,094,445	3,092,553

(i) The breakdowns of other payables as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Payables for purchase of property, plant and equipment	**360,026**	161,235
Customer deposits	**176,436**	186,677
Pension payables and other social welfare payables	**62,756**	55,048
Salary payables	**61,323**	67,741
Employee deposits	**22,133**	20,521
Others	**49,259**	88,997
	731,933	580,219

19. Capital commitments

	30 June 2012 *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
Purchase of property, plant and equipment		
– Contracted but not provided for	**616,581**	486,448
– Authorised but not contracted for	**11,222**	18,998
	627,803	505,446

20. Financial guarantee contracts

As at 30 June 2012, Jinxi Limited provided guarantee for certain bank borrowings in favour of third parties amounting to approximately RMB 30 million (31 December 2011: approximately RMB 30 million). 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 ANAYLSIS

During the first half of 2012, the domestic steel industry faced challenges in several aspects. Firstly, the problem of over-capacity for the whole industry has not yet been solved. Secondly, the global economy, including the PRC, after experiencing a slight rebound had resumed the down trend since the end of third quarter of 2011. Consequently, most of the customers of our products domiciled in the PRC had hesitated to place new orders and their view to future prospect had become conservative if not pessimistic, which placed the iron and steel manufacturers under severe pressure in pricing the steel products. On the contrary, the supply of iron ore, one of the major raw materials in steel production, was dominated by a handful of suppliers and the price was being controlled and maintained at a rather high level. Accordingly, the gross profit margin of steel products was squeezed and the Group, being one of the participants in this industry, is unavoidably affected by these adverse factors.

Despite the aforesaid market pressure, through cost savings measures, technology innovation and prompt adjustment to product portfolio, the Group achieved an average gross profit margin from selling of self-manufactured steel products of 4.8% for the first half of 2012 which is better than 3.2% for the second half of 2011 though it dropped significantly from 10.1% for the first half of 2011. Nevertheless, the Group will keep on improving production efficiency so as to maintain the current gross profit margin or even to earn a higher gross profit margin.

Technology innovation is one of the major measures implemented by the Group to reduce cost. During the first half of 2012, Jinxi Limited and Zhengda Iron and Steel completed several projects which helped reducing the cost and improved the environment.

For the sales of products, the Group remained as the leader of H-section steel products in the PRC. For the six months ended 30 June 2012, the Group sold 1.62 million tonnes H-section steel in total. H-section steel is mainly used in construction project, including infrastructure, railway and real estate.

As at 30 June 2012, the property development project namely Donghu Bay which is located in Tangshan City, Hebei Province, the PRC recorded sales revenue of approximately RMB 176 million and operating profit amounted to approximately RMB 34.6 million. As at 30 June 2012, 496 units or 73.6% of the first phase of Donghu Bay was sold out of 674 units in total.

After taking into account the rate of return on the investment made in steel industry and the cost of fund, the management of the Group considers that cautious involvement in financing industry will support the return to the shareholders of the Company ("Shareholders"). The Group carried out financing industry through its wholly-owned subsidiary, Oriental Evertrust Finance Leasing Co., Ltd. ("Oriental Evertrust"). As at 30 June 2012, Oriental Evertrust provided an entrustment loan of RMB 300 million due on July 2014 to an unrelated steel manufacturer at an interest rate of 12% per annum.

After the implementation of tightening monetary policy by the central government in the PRC, small and medium size enterprises and individuals have been restricted to apply for bank financing. Therefore, in June 2012, the Group established a wholly-owned subsidiary, Tianjin Oriental Huitong Microcredit Company Limited ("Oriental Huitong"), with a registered capital of RMB 100 million. The Group hopes to carry out lending business, including the provision of short-term corporate term loan, note discounting and personal lending through Oriental Huitong. The tenor of each single loan is within one year and the maximum amount of loan which Oriental Huitong can lend is 1.5 times of its registered capital or RMB 150 million.

In 2011, the Group acquired Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Company Limited ("Jinxi Dafang"), which engaged in the manufacturing of construction and metallurgy equipments. The management of the Group believes that Jinxi Dafang is able to provide reasonable return to Shareholders.

In order to promote the Chinese culture, improve the corporate image and perform its corporate social responsibility, the Group established a wholly-owned subsidiary, Beijing Jinxi Longxiang Culture Development Company Limited ("Jinxi Longxiang") with a registered capital of RMB 10 million in May 2012. The Group through Jinxi Longxiang published "Meng Xue Shi San Jing"*(蒙學十三經).

For the six months ended 30 June 2012, the revenues generated from selling of self-manufactured steel products amounted to RMB 16,790 million, representing a decrease of 14.6% as compared with that of the corresponding period in prior year. During the period under review, the operating profit and profit for the period attributable to owners of the Company has decreased by 63.0% and 78.4%, respectively, as compared with last year.

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 appointed experienced executives to the Board of the Group to participate in decision making for the Group's business development. Technicians and management staff from ArcelorMittal was sent to our production sites on a regular basis to inspect their operations and provide professional advice. Close collaboration is maintained for improving product quality.

BUSINESS REVIEW

Sales analysis from selling of self-manufactured steel products

In the first half of 2012, the Group's total sales volume was 4.71 million tonnes (2011 corresponding period: 4.84 million tonnes), representing a decrease of approximately 2.7%.

The Group's sales volume breakdown during the period was as follows:

	For the six months ended 30 June				
	2012		2011		Changes in
	Sales volume		Sales volume		Sales volume
	('000 tonnes)		*('000 tonnes)*		
H-Section steel products	**1,623**	**34.5%**	1,663	34.4%	(2.4%)
Strips and strip products	**1,965**	**41.7%**	1,944	40.2%	1.1%
Cold rolled sheets and galvanised sheets	**242**	**5.1%**	238	4.9%	1.7%
Billets	**680**	**14.4%**	836	17.3%	(18.7%)
Rebar	**204**	**4.3%**	156	3.2%	30.8%
Total	**4,714**	**100.0%**	4,837	100.0%	(2.7%)

Revenue

Revenue of the Group in the first half of 2012 was RMB 16,790 million (2011 corresponding period: RMB 19,652 million), representing a decrease of approximately 14.6%

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

	For the six months ended 30 June					
	2012		2011		Changes 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	**6,018**	**3,708**	7,008	4,215	(14.1%)	(12.0%)
Strips and strip products	**6,712**	**3,416**	7,673	3,947	(12.5%)	(13.5%)
Cold rolled sheets and galvanised sheets	**1,086**	**4,488**	1,151	4,836	(5.6%)	(7.2%)
Billets	**2,212**	**3,250**	3,079	3,683	(28.2%)	(11.8%)
Rebar	**715**	**3,506**	664	4,245	7.7%	(17.4%)
Others	**47**	**–**	77	–	(39.0%)	N/A
Total	**16,790**	**3,561**	19,652	4,063	(14.6%)	(12.4%)

The decrease in revenue was primarily due to a decrease in the sales volume of the Group's products and a decrease in its average selling price by 12.4% to RMB 3,561 per tonne for the six months ended 30 June 2012 from RMB 4,063 per tonne for the corresponding period in 2011. Decrease in sales volume and average selling price of the Group's products were mainly driven by decline in demand during the first half of 2012, as a result of slow-down in the global economies and over-capacity problems still exist in the steel making industry in the PRC.

Cost of sales and gross profit

The consolidated gross profit of the Group in the first half of 2012 was RMB 812 million (2011 corresponding period: RMB 1,988 million), representing a decrease of 59.2%. Gross profit margin was 4.8% (2011 corresponding period: 10.1%).

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

	For the six months ended 30 June					
	2012			2011		
	Average cost per tonne *(RMB)*	**Gross profit per tonne *(RMB)***	**Gross profit margin**	Average cost per tonne *(RMB)*	Gross profit per tonne *(RMB)*	Gross profit margin
H-section steel products	**3,450**	**259**	**7.0%**	3,696	518	12.3%
Strips and strip products	**3,282**	**133**	**3.9%**	3,587	360	9.1%
Cold rolled sheets and galvanised sheets	**4,462**	**25**	**0.6%**	4,647	189	3.9%
Billets	**3,151**	**99**	**3.1%**	3,343	340	9.2%
Rebar	**3,284**	**221**	**6.3%**	3,846	410	9.6%
Total	**3,389**	**172**	**4.8%**	3,652	411	10.1%

Gross profit per tonne of the Group's products decreased to RMB 172 for the six months ended 30 June 2012 from RMB 411 for the corresponding period in 2011, reflecting a decrease of 58.2%. Gross profit margin decreased to 4.8% for the six months ended 30 June 2012 from 10.1% for the corresponding period in 2011. The decrease in gross profit margin was due to average selling prices drop by 12.4% being partially offset by average cost drop by 7.2%.

Sales analysis from trading of steel products

The Group started to engage in trading of steel products which is not manufactured by the Group. The Board considers it will provide more information to the Shareholders by disclosing separately the performance of the trading business.

During the six months ended 30 June 2012, the sales volume arising from trading of steel products amounted to approximately 0.54 million tonnes. The revenue and gross profit attributable to trading of steel products were RMB1,833 million and RMB 29 million respectively.

ACCREDITATION FOR THE COMPANY AND ITS MANAGEMENT

The Group's trademark, "Jinxi", was accredited the first batch of "2012 China Renowned Brand" by the State Administration for Industry and Commerce Trademark Bureau.

Mr. Han Jingyuan, the Chairman of the Company, had been named "2011 Outstanding Entrepreneur of Hebei Province".

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had a workforce of approximately 14,000 and temporary staff of approximately 3,000. 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 2012, the Group had unutilised banking facilities of approximately RMB 9.3 billion (31 December 2011: RMB 4.6 billion).

As at 30 June 2012, the current ratio of the Group, representing current assets divided by current liabilities, was 1.5 (31 December 2011: 1.7) and the gearing ratio, representing total liabilities divided by total assets, was 61.0% (31 December 2011: 58.5%).

As at 30 June 2012, the cash and cash equivalents of the Group amounted to RMB 1,101 million (31 December 2011: RMB 965 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 2012, most of the borrowings of the Group bore fixed interest rates and the Group's exposure to changes in market interest rates were limited. The Group did not use any derivatives to hedge its exposure to interest rate risk for the period ended 30 June 2012 and year ended 31 December 2011.

Moreover, most of the borrowings of the Group as at 30 June 2012 were non-current with maturity over three years.

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, finance lease obligations and borrowings from related parties. The Group regards its non-current borrowings, non-current portion of its finance lease obligations and borrowings from related parties and its equity attributable to owners of the parent as its total capital. As at 30 June 2012, the debt-to-capital ratio of the Group was 59.0% (31 December 2011: 55.8%).

The consolidated interest expenses and capitalised interest for the first half of 2012 amounted to RMB 303.40 million (2011 corresponding period: RMB 276.31 million). The interest coverage (divide earnings before interests and taxes by total interest expenses) was 2.4 times (2011 corresponding period: 7.3 times).

Capital commitments

As at 30 June 2012, the Group had capital commitments of RMB 628 million (31 December 2011: RMB 505 million). It is estimated the capital commitments will be financed by the Group's internal resources, senior notes and unutilized banking facilities.

Guarantees and contingent liabilities

As at 30 June 2012, the Group's contingent liabilities amounting to RMB 30 million (31 December 2011: RMB 30 million), which was the provision of guarantee for bank borrowings in favour of a third party.

Pledge of assets

As at 30 June 2012, none of the Group's property, plant and equipment (31 December 2011: approximately RMB 41 million), inventories amounting to approximately RMB 124 million (31 December 2011: approximately RMB 61 million), notes receivable amounting to approximately RMB 449 million (31 December 2011: approximately RMB 161 million) and restricted bank balances amounting to approximately RMB 1,034 million (31 December 2011: approximately RMB 891 million) had been pledged as security for the Group's bank facilities.

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 in the first half of 2012 and the corresponding period in 2011.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011 corresponding period: HK$292.97 million (approximately RMB 241.35 million)).

Post balance sheet events

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 2012, the global economy, especially Europe, continues to be full of uncertainties. The PRC economy may have some recovery because the central government tends to implement an economic policy which is aimed to have a stable growth in its economy, which will in return support the iron and steel market to a certain extent.

One of the major raw materials of steel products is iron ore. It is expected that in the absence of an obvious growth of the PRC economy, the price is not likely to rise significantly and are expected to remain stable. There may be certain room for price drop which may help to stabilize the cost of steel products.

The Group will strive to implement a prudent strategy in managing its business in the second half of this year. The Group will ensure its cash flow and balance sheet are maintained at a healthy level. The Group had unutilised banking facilities of RMB 9.3 billion and bank acceptance notes of approximately RMB 5.0 billion.

Conclusively, the steel making industry will be full of challenges in the second half of 2012. The top management of the Company will closely monitor the economic environment and adjust its operating strategy on a timely manner.

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 for the six months ended 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company (the "Directors") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by the Directors during the period.

AUDIT COMMITTEE AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has established an audit committee (the "Audit Committee") comprised all three independent non-executive Directors namely Mr. Yu Tung Ho, Mr. Wong Man Chung, Francis and Mr. Wang Tianyi with written term of reference in compliance with the requirement of Listing Rules and the Former Code and Revised Code (As defined below).

The Audit Committee has reviewed and discussed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 with the management of the Company and PricewaterhouseCoopers, the auditors of the Company, has conducted its review on the unaudited condensed consolidated interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE CODE

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has enhanced the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Listing Rules, where the revised code, namely Corporate Governance Code (the "Revised Code"), has become effective on 1 April 2012.

The Company has complied with the code provisions of the Former Code and the Revised Code throughout the respective periods from (i) 1 January 2012 to 31 March 2012; and (ii) 1 April 2012 to 30 June 2012, except for the deviation as mentioned below.

Under Code Provision A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should also attend general meetings of the Company. At the Company's annual general meeting held on 24 May 2012, two independent non-executive directors and three non-executive directors were not in a position to attend the meeting due to their respective commitment.

Under Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive 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 Group. 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 is 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2012

The interim results announcement of the Company for the six months ended 30 June 2012 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 2012 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

The Group's higher-than-average results in the first half of 2012 were attributable to support from its staff and Shareholders. The Board would like to take this opportunity to extend its deepest gratitude to its staff and Shareholders.

On behalf of the Board
China Oriental Group Company Limited
Han Jingyuan
Chairman and Chief Executive Officer

Hong Kong, 23 August 2012

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, Mr. Vijay Kumar Bhatnagar and Mr. Liu Lei being the Non-Executive Directors and Mr. Yu Tung Ho, Mr. Wong Man Chung, Francis and Mr. Wang Tianyi being the Independent Non-Executive Directors.