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 2013

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013	2012	Changes
Sales volume of self-manufactured steel products *(tonnes)*	**4.21 million**	4.71 million	-10.7%
Revenue *(RMB)*			
– Sale of self-manufactured steel products	**13.15 billion**	16.74 billion	-21.4%
– Trading of steel products and iron ore	**3.05 billion**	1.83 billion	+66.1%
– Sale of properties	**0.04 billion**	0.18 billion	-76.0%
– Others	**0.09 billion**	0.05 billion	+97.0%
	16.33 billion	18.80 billion	-13.1%
Gross profit *(RMB)*			
– Sale of self-manufactured steel products	**417 million**	801 million	-47.9%
– Trading of steel products and iron ore	**44 million**	29 million	+51.7%
– Sale of properties	**11 million**	44 million	-75.0%
– Others	**1 million**	11 million	-90.9%
	473 million	885 million	-46.5%
Gross profit per tonne *(RMB)*			
– Sale of self-manufactured steel products	**99 yuan**	170 yuan	-41.8%
EBITDA[1] *(RMB)*	**782 million**	1,058 million	-26.1%
EBITDA[1] margin	**4.8%**	5.6%	N/A
EBIT[2] *(RMB)*	**263 million**	606 million	-56.6%
EBIT[2] margin	**1.6%**	3.2%	N/A

* *For identification purpose only*

	For the six months ended 30 June		
	2013	2012	Changes
Profit before income tax *(RMB)*	**147 million**	431 million	-66.0%
Profit for the period *(RMB)*	**51 million**	268 million	-80.9%
Profit for the period attributable to owners of the Company *(RMB)*	**65 million**	249 million	-73.9%
Basic earnings per share *(RMB)*	**0.02 yuan**	0.09 yuan	-77.8%
Return on equity[3]	**0.7%**	2.8%	N/A
	As at		
	30 June 2013	31 December 2012	
Total assets *(RMB)*	**24.57 billion**	24.75 billion	-0.7%
Net assets value per share (exclude non-controlling interests) *(RMB)*	**3.11 yuan**	3.09 yuan	+0.6%
Debt-to-capital ratio[4]	**63.1%**	63.2%	N/A

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 expenses. Non-recurring expenses for the six months ended 30 June 2013 included RMB16.6 million as provision of write-down of inventories to net realisable value, RMB46.7 million as impairment of property, plant and equipment and RMB23.8 million as impairment of available-for-sale financial assets.

2 The Company defines EBIT as profit for the period before finance costs-net, income tax expense, share-based payments and non-recurring expenses. Non-recurring expenses for the six months ended 30 June 2013 included RMB16.6 million as provision of write-down of inventories to net realisable value, RMB46.7 million as impairment of property, plant and equipment and RMB23.8 million as impairment of available-for-sale financial assets.

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 non-current borrowings, non-current portion of finance lease obligations and borrowings from related parties and equity attributable to owners of the Company.

The board of directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012. PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 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	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		Unaudited	
Revenue	*4*	**16,334,395**	18,798,728
Cost of sales		**(15,861,267)**	(17,913,731)
Gross profit		**473,128**	884,997
Other income		**7,776**	20,252
Distribution costs		**(67,380)**	(50,505)
Administrative expenses		**(170,927)**	(222,656)
Other expenses		**(30,945)**	(25,041)
Other (losses)/gains – net		**(47,492)**	62,923
Operating profit	*5*	**164,160**	669,970
Finance income	*6*	**83,001**	73,651
Finance costs	*6*	**(100,589)**	(305,052)
Share of result of an associate		**–**	(7,298)
Profit before income tax		**146,572**	431,271
Income tax expense	*7*	**(95,522)**	(163,633)
Profit for the period		**51,050**	267,638
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Transfer of fair value losses previously taken to reserve to income statement upon impairment of available-for-sale financial assets, net of tax		**3,892**	–
Item that may be reclassified to profit or loss			
Fair value losses on available-for-sale financial assets, net of tax		**–**	(654)
Total comprehensive income for the period		**54,942**	266,984

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(continued)

	Note	Six months ended 30 June 2013 RMB'000 Unaudited	2012 RMB'000
Profit/(loss) for the period attributable to:			
– owners of the Company		**65,145**	249,204
– non-controlling interests		**(14,095)**	18,434
		51,050	267,638
Total comprehensive income/(loss) attributable to:			
– owners of the Company		**69,037**	248,550
– non-controlling interests		**(14,095)**	18,434
		54,942	266,984
Earnings per share for profit attributable to owners of the Company for the period *(express in RMB per share)*			
– basic	*8*	**0.02**	0.09
– diluted	*8*	**0.02**	0.08
Dividends	*9*	**–**	–

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**8,844,676**	9,039,970
Leasehold land and land use rights	*10*	**132,021**	133,723
Investment properties	*10*	**14,775**	15,178
Intangible assets	*10*	**8,643**	8,629
Available-for-sale financial assets		**137,327**	157,280
Trade receivables	*14*	**576,155**	576,155
Prepayments, deposits and other receivables	*15*	**456,058**	456,058
Loan receivable	*11*	**300,000**	300,000
Deferred income tax assets		**214,998**	201,090
Total non-current assets		**10,684,653**	10,888,083
Current assets			
Properties under development and held for sale	*12*	**739,744**	388,013
Inventories	*13*	**3,865,443**	3,192,558
Trade receivables	*14*	**299,017**	547,758
Prepayments, deposits and other receivables	*15*	**1,600,224**	1,787,922
Financial assets at fair value through profit or loss		**40,870**	–
Amounts due from related parties		**96,209**	90,107
Prepaid current income tax		**102,811**	86,307
Loan receivables	*11*	**132,465**	79,700
Notes receivable – bank acceptance notes	*16*	**3,840,868**	5,702,736
Restricted bank balances		**1,909,831**	1,109,794
Cash and cash equivalents		**1,261,228**	879,005
Total current assets		**13,888,710**	13,863,900
Total assets		**24,573,363**	24,751,983
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares		**311,853**	311,772
Share premium		**2,192,131**	2,191,087
Other reserves		**1,509,253**	1,493,880
Retained earnings		**5,110,175**	5,045,030
		9,123,412	9,041,769
Non-controlling interests		**499,152**	513,247
Total equity		**9,622,564**	9,555,016

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**30 June 2013** *RMB'000* **Unaudited**	31 December 2012 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**4,359,812**	4,501,105
Other long-term payables		**194,129**	26,129
Deferred revenue		**57,427**	47,293
Amounts due to related parties		**89,263**	89,263
Total non-current liabilities		**4,700,631**	4,663,790
Current liabilities			
Trade payables	*17*	**3,348,456**	3,678,585
Accruals, advances and other payables		**2,745,551**	2,778,326
Amounts due to related parties		**54,046**	54,046
Current income tax liabilities		**43,608**	53,314
Other long-term payables – current portion		**–**	115,007
Borrowings		**4,058,507**	3,853,899
Total current liabilities		**10,250,168**	10,533,177
Total liabilities		**14,950,799**	15,196,967
Total equity and liabilities		**24,573,363**	24,751,983
Net current assets		**3,638,542**	3,330,723
Total assets less current liabilities		**14,323,195**	14,218,806

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	
Net cash generated from/(used in) operating activities	**1,540,340**	(563,523)
Net cash used in investing activities	**(444,375)**	(128,792)
Net cash (used in)/generated from financing activities	**(709,110)**	826,347
Net increase in cash and cash equivalents	**386,855**	134,032
Cash and cash equivalents as at 1 January	**879,005**	965,082
Effect of foreign exchange rate changes	**(4,632)**	1,879
Cash and cash equivalents as at 30 June	**1,261,228**	1,100,993

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 principally engaged in the manufacture and sales of iron and steel products, sales of 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 on 22 August 2013.

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 2013 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 2012, 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 2012, 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) Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(c) HKAS 1 (Amendment) "Presentation of financial statements". The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The new amendments on presentation of financial statements have been adopted by the Group, which are set out in the statement of comprehensive income.

(d) HKFRS 13 "Fair value measurements". HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The new disclosure requirements on fair value measurement have been adopted by the Group.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(e) The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Sales and segment information

(a) Sales

The Group is principally engaged in the manufacture and sales of iron and steel products, sales of iron ore and real estate business. Sales recognised for the six months ended 30 June 2013 and 2012 were as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Sales:		
Gross sales less discounts, returns and sales taxes		
– H-section steel products	**5,406,857**	6,051,500
– Strips and strip products	**5,262,117**	6,719,227
– Billets	**2,471,037**	3,195,844
– Rebar	**1,120,336**	1,377,491
– Cold rolled sheets and galvanised sheets	**874,775**	1,231,379
– Iron ore	**1,064,252**	–
– Real estate	**42,258**	176,205
– Others	**92,763**	47,082
	16,334,395	18,798,728

(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, sale of 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 2012.

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

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

	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 amortisation	452,190	234	452,424
Capital expenditure	750,989	119	751,108

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 an associate, 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 payables.

The segment assets and liabilities as at 30 June 2013 were as follows:

	Iron and steel	**Real estate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
		Unaudited	
Total assets and segment assets for reportable segments	**22,846,875**	**798,017**	**23,644,892**
Unallocated:			
Available-for-sale financial assets			**137,327**
Deferred income tax assets			**214,998**
Loan receivables			**432,465**
Financial assets at fair value though profit or loss			**40,870**
Prepaid current income tax			**102,811**
Total assets per balance sheet			**24,573,363**
Total liabilities and segment liabilities for reportable segments	**6,004,466**	**479,833**	**6,484,299**
Unallocated:			
Current income tax liabilities			**43,608**
Current borrowings			**4,058,507**
Non-current borrowings			**4,359,812**
Dividends payable			**4,573**
Total liabilities per balance sheet			**14,950,799**

The segment assets and liabilities as at 31 December 2012 were as follows:

	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
		Audited	
Total assets and segment assets for reportable segments	23,395,618	531,988	23,927,606
Unallocated:			
Available-for-sale financial assets			157,280
Deferred income tax assets			201,090
Loan receivables			379,700
Prepaid current income tax			86,307
Total assets per balance sheet			24,751,983
Total liabilities and segment liabilities for reportable segments	6,518,649	265,425	6,784,074
Unallocated:			
Current income tax liabilities			53,314
Current borrowings			3,853,899
Non-current borrowings			4,501,105
Dividends payable			4,575
Total liabilities per balance sheet			15,196,967

5. Operating profit

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

Items that are material either because of their size or their nature, or which are non-recurring, are considered as exceptional items and are presented within the line items to which they best relate but highlighted separately on the face of the interim consolidated statement of comprehensive income. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Depreciation of property, plant and equipment *(Note 10)*	**(516,578)**	(450,307)
Impairment of property, plant and equipment *(Note 10)*	**(46,731)**	-
Impairment of available-for-sale financial assets	**(23,845)**	-
(Provision for)/reversal of write-down of inventories to net realisable value *(Note 13)*	**(16,602)**	108,439
Share options granted to directors, employees and other participants	**(11,481)**	(51,340)
Impairment provision for loan receivables *(Note 11)*	**(10,735)**	(300)
Amortisation of leasehold land and land use rights *(Note 10)*	**(1,702)**	(1,702)
Depreciation of investment properties *(Note 10)*	**(403)**	(403)
Amortisation of intangible assets *(Note 10)*	**(35)**	(12)
Rental expenses	**(93,960)**	(129,000)
Investment income from financial assets at fair value through profit or loss	**7,232**	–
Gain on disposal of property, plant and equipment	**2,344**	830

6. Finance income and costs

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Interest expenses	**(242,512)**	(303,395)
Net foreign exchange gains on borrowings	**120,961**	(30,323)
Finance costs	**(121,551)**	(333,718)
Less: amounts capitalised on qualifying assets	**20,962**	28,666
Total finance costs	**(100,589)**	(305,052)
Finance income	**83,001**	73,651
Finance costs - net	**(17,588)**	(231,401)

For the six months ended 30 June 2013, a capitalisation rate of 6.86% (2012: 7.40%) was used, representing the average borrowing cost of the loans relating to financing the construction of property, plant and equipment.

7. Income tax expense

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax	**107,284**	65,967
– Overseas taxations	**2,146**	4,978
Deferred income tax	**(13,908)**	92,688
	95,522	163,633

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

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

No Hong Kong profits tax has been provided since the subsidiaries incorporated or traded in Hong Kong do not have assessable profits during the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

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

The PRC Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The standard tax rate of the most of the Company's subsidiaries incorporated in the PRC remains no change as 25% in the year ending 31 December 2013.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average applicable tax rate of 25.12% (2012: 26.58%) to respective profits of the consolidated entities for the six months ended 30 June 2013 and 2012 as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit before taxation	**146,572**	431,271
Taxation calculated at statutory tax rate	**36,822**	114,645
Tax losses for which no deferred income tax asset was recognised	**42,195**	19,377
Effect of non-deductible expenses	**16,505**	29,611
	95,522	163,633

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	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**65,145**	249,204
Weighted average number of ordinary shares in issue *(thousands)*	**2,930,928**	2,929,960
Basic earnings per share *(RMB per share)*	**0.02**	0.09

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 2013, the Company has one category of dilutive potential ordinary shares: share options.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company	**65,145**	249,204
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,930,928**	2,929,960
Adjustments for options *(thousands)*	**2,618**	9,730
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,933,546**	2,939,690
Diluted earnings per share *(RMB per share)*	**0.02**	0.08

9. Dividends

At a meeting held on 22 August 2013, the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: Nil).

At a meeting held on 21 March 2013, the Board did not recommend the payment of any final dividend for the year ended 31 December 2012.

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 2013				
Opening carrying amount as at 1 January 2013	**9,039,970**	**133,723**	**15,178**	**8,629**
Additions	**369,358**	**–**	**–**	**49**
Disposals	**(1,343)**	**–**	**–**	**–**
Depreciation and amortisation *(Note 5)*	**(516,578)**	**(1,702)**	**(403)**	**(35)**
Impairment *(Note 5)*	**(46,731)**	**–**	**–**	**–**
Closing carrying amount as at 30 June 2013	**8,844,676**	**132,021**	**14,775**	**8,643**
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

11. Loan receivables

	30 June 2013 *RMB'000* **Unaudited**	31 December 2012 *RMB'000* Audited
Non-current		
Loan receivable	**300,000**	300,000
Current		
Loan receivables	**143,500**	80,000
Less: impairment provision *(Note 5)*	**(11,035)**	(300)
	132,465	79,700
	432,465	379,700

As at 30 June 2013 and 31 December 2012, the carrying amounts of loan receivables approximated their fair values.

12. Properties under development and held for sale

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Properties under development comprise:		
– Construction costs	**220,686**	140,828
– Land use rights	**437,887**	136,268
– Interests capitalised	**6,900**	5,847
	665,473	282,943
Completed properties held for sale	**74,271**	105,070
	739,744	388,013

13. Inventories

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Raw materials and materials in-transit	**2,543,300**	2,239,405
Work-in-progress	**300,467**	259,445
Finished goods	**1,021,676**	693,708
	3,865,443	3,192,558

The Group recognized an inventory provision of approximately RMB17 million for the six months ended 30 June 2013 (2012: reversal of write-down of inventories to net realisable value of RMB108 million) (Note 5) in respect of the write-down of inventories to their net realisable values. These provision changes have been included in "cost of sales" in the interim condensed consolidated statement of comprehensive income.

14. Trade receivables

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current		
Trade receivables	**576,155**	576,155
Current		
Trade receivables	**300,694**	550,827
Less: impairment provision	**(1,677)**	(3,069)
	299,017	547,758
Trade receivables – net	**875,172**	1,123,913

The non-current trade receivables represented the receivables due from a third party for the provision of construction services. The trade receivables are repayable within two years and bear interest at a rate of 6.3% per annum.

As at 30 June 2013 and 31 December 2012, the carrying amount of the Group's trade receivables approximated their fair values.

Except for the non-current trade receivables 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 (Note 16) with the maturity dates within six months.

As at 30 June 2013 and 31 December 2012, the ageing of trade receivables was as follows:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**196,553**	488,075
4-6 months	**44,749**	601,654
7-12 months	**635,547**	37,253
	876,849	1,126,982

As at 30 June 2013, trade receivables amounting to approximately RMB78 million (31 December 2012: RMB214 million) were guaranteed by customers' letters of credit.

15. Prepayments, deposits and other receivables

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Non-current		
Prepayments for purchase of property, plant and equipment	**456,058**	456,058
Receivables for operating leases	**47,064**	77,533
Less: impairment provision	**(47,064)**	(77,533)
	456,058	456,058
Current		
Prepayments for purchase of inventories	**1,083,320**	1,208,632
Deposits and other receivables	**538,263**	605,665
Receivables for operating leases, current portion	**60,085**	32,617
Prepaid expenses	**28,250**	23,621
Less: impairment provision	**(109,694)**	(82,613)
	1,600,224	1,787,922
	2,056,282	2,243,980

16. Notes receivable – bank acceptance notes

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Notes receivable – bank acceptance notes	**3,840,868**	5,702,736

As at 30 June 2013, notes receivable of approximately RMB87 million (31 December 2012: RMB853 million) were pledged as security for issuing notes payable (Note 17). In addition, notes receivable of approximately RMB859 million (31 December 2012: RMB1,347 million) were pledged as collateral for the Group's borrowings.

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

As at 30 June 2013 and 31 December 2012, the ageing analysis of notes receivable was as follows:

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Within 3 months	**2,813,929**	3,050,037
4-6 months	**1,026,939**	2,652,699
	3,840,868	5,702,736

17. Trade payables

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Trade payables	**2,159,920**	2,235,577
Notes payable	**1,188,536**	1,443,008
	3,348,456	3,678,585

As at 30 June 2013, all notes payable represented bank acceptance notes, of which approximately RMB86 million (31 December 2012: RMB747 million) were secured by certain notes receivable (Note 16), approximately RMB977 million (31 December 2012: RMB557 million) were secured by certain restricted bank balances amounting to approximately RMB424 million (31 December 2012: RMB293 million), and approximately RMB125 million (31 December 2012: RMB139 million) were secured by certain inventories and certain restricted bank balances amounting to approximately RMB169 million (31 December 2012: RMB122 million) and approximately RMB37 million (31 December 2012: RMB42 million), respectively.

As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade and notes payables was as follows:

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Within 3 months	**2,297,765**	2,380,585
4-6 months	**705,214**	1,230,563
7-9 months	**204,339**	15,545
10-12 months	**75,507**	11,584
Over 1 year	**65,631**	40,308
	3,348,456	3,678,585

18. **Capital commitments**

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Purchase of property, plant and equipment		
– Contracted but not provided for	**250,771**	205,865
– Authorised but not contracted for	**160,380**	65,729
	411,151	271,594
Purchase of properties under development		
– Contracted but not provided for	**401,939**	291,418
	813,090	563,012

19. **Financial guarantee contracts**

As at 30 June 2013, Hebei Jinxi Iron and Steel Group Company Limited provided guarantee to certain bank borrowings in favour of third parties amounting to approximately RMB21 million (31 December 2012: approximately RMB30 million). The fair values of these financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

Although there was a slow recovery from the global economy in the first half of 2013, the China domestic economic growth rate was declined as compared with the corresponding period in prior year. As a result, the price of steel products of the Group has decreased significantly for the six months ended 30 June 2013 as compared with the corresponding period in prior year. On the other hand, the production costs of the Group had also been pushed up by the iron ore and coke purchased at higher prices in the fourth quarter of 2012. As a result, the Group recorded revenue and profit attributable to owners of the Company of RMB16.33 billion and RMB65 million respectively in the first half of 2013, a decrease of 13.1% and 73.9% as compared with the corresponding period in prior year.

With respect to the steel business, the Group has been actively taking measures to enhance our competitiveness in this sector. We have made substantial investment in various projects on harnessing power generated and emission reductions in the production bases of the Group. The completion of these facilities will significantly reduce energy consumption and mitigate the upward pressure on raw materials and energy costs. Apart from effective energy cost control, these facilities can also substantially reduce pollutant emission during the production process, leading to an improved community environment in the proximity of the plants.

Located in Qianxi County, Tangshan City, Hebei Province, the PRC, Hebei Jinxi Iron and Steel Group Company Limited ("Jinxi Limited") is the Group's main production base. Jinxi Limited and its subsidiary, Hebei Jinxi Section Steel Company Limited, sold approximately 1.5 million tonnes of H-section steels products in the first half of 2013 and continued to be a market leader in the PRC for H-section steels. The Group has also successfully developed the steel pile sheet products and started the trial production. It is believed that revenue arising from such new products will be recorded for the second half of 2013.

For the six months ended 30 June 2013, Hebei Jinxi Iron and Steel Group Zhengda Iron and Steel Company Limited ("Zhengda Iron and Steel") continued to work on upgrading its production facilities with the target to reduce energy consumption and emissions which will increase the operating efficiencies of Zhengda Iron and Steel in the future. In addition, Oriental Green Energy-Saving Environmental Protection Engineering Co. Ltd. has obtained high recognition in the industry in terms of energy-saving and environmental protection technologies.

The Group will actively promote the environmentally-friendly construction, extend the industry chain and foster the development, usage and upgrade of H section steel and construct the largest section steel production base in China by Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Co. Ltd. ("Dafang Heavy Industry"), another subsidiary of the Company.

After the change of the senior management of Foshan Jin Xi Jin Lan Cold Rolled Sheet Company Limited ("Jinxi Jinlan") and further enhancing its internal control, the performance of Jinxi Jinlan has improved as compared with that of the second half of 2012. The Group believed that Jinxi Jinlan will achieve better performance soon.

In view of the low rate of return on the investment made in the steel business and the increasing cost of fund, the Group considers that cautious involvement in other industries will support the return to the shareholders of the Company ("Shareholders"). Therefore, the Group has engaged in other business sectors in the past so as to promote the long-term growth of the Group's results.

For the six months ended 30 June 2013, the revenue and gross profit attributable to trading of steel products and iron ore were approximately RMB3,045 million (six months ended 30 June 2012: approximately RMB1,833 million) and approximately RMB44 million (six months ended 30 June 2012: approximately RMB29 million) respectively.

For the six months ended 30 June 2013, the Group had started the second phase of the property development project namely Donghu Bay which is located in Tangshan City, Hebei Province, the PRC and recorded revenue and operating profit from real estate business of approximately RMB42 million and approximately RMB4 million respectively. The second phase of the project is expected to be completed by the second half of 2013, which will contribute a significant revenue and profit to the Group. In addition, the Group has also started the preliminary stages for the development of the land located in Suzhou City, the PRC which was acquired in December 2012. The two pieces of land are located at Tayuan Lu Xi, Heshan Lu North, Fengqiao Jie Dao, Gaoxin District, Suzhou City, the PRC where an area of approximately 16,857.6 square meters with plot ratio not exceeding 1.6 is for residential purpose and an area of approximately 14,881.9 square meters with plot ratio not exceeding 3.3 is for wholesale and retail business and commercial and finance business purposes.

The Group also engages in financing industry through its subsidiaries, Oriental Evertrust Finance Leasing Co. Ltd. ("Oriental Evertrust") and Tianjin Oriental Huitong Microcredit Company Limited ("Oriental Huitong"). As at 30 June 2013, Oriental Evertrust and Oriental Huitong provided loans amounting RMB444 million in aggregate to independent third parties at interest rates ranged from 12% to 24% per annum.

Since the Group introduced the world's largest steel corporation ArcelorMittal as its strategic shareholder in 2008, collaboration between the Group and ArcelorMittal has grown considerably. ArcelorMittal 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.

We believe our course of development is currently moving in the right direction, and we are on the verge of achieving satisfactory returns very soon.

BUSINESS REVIEW

Sales Analysis from Sale of Self-manufactured Steel Products

For the six months ended 30 June 2013, the Group's total sales volume was 4.21 million tonnes (2012 corresponding period: 4.71 million tonnes), representing a decrease of approximately 10.7%.

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

	For the six months ended 30 June				
	2013		2012		Changes in
	Sales volume		Sales volume		Sales volume
	('000 tonnes)		*('000 tonnes)*		
H-section steel products	**1,526**	**36.3%**	1,623	34.5%	-6.0%
Strips and strip products	**1,756**	**41.7%**	1,965	41.7%	-10.6%
Cold rolled sheets and galvanised sheets	**174**	**4.1%**	242	5.1%	-28.1%
Billets	**545**	**12.9%**	680	14.4%	-19.9%
Rebar	**208**	**5.0%**	204	4.3%	+2.0%
Total	**4,209**	**100.0%**	4,714	100.0%	-10.7%

Revenue

Revenue for the six months ended 30 June 2013 was RMB13,154 million (2012 corresponding period: RMB16,743 million), representing a decrease of approximately 21.4%.

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

	For the six months ended 30 June					
	2013		2012		Changes in	
	Revenue	**Average selling price**	Revenue	Average Selling price	Revenue	Average selling price
	(RMBmillion)	***(RMB/tonne)***	*(RMB million)*	*(RMB/tonne)*		
H-section steel products	**5,040**	**3,303**	6,018	3,708	-16.3%	-10.9%
Strips and strip products	**5,247**	**2,987**	6,712	3,416	-21.8%	-12.6%
Cold rolled sheets and galvanised sheets	**733**	**4,221**	1,086	4,488	-32.5%	-5.9%
Billets	**1,506**	**2,764**	2,212	3,250	-31.9%	-15.0%
Rebar	**628**	**3,015**	715	3,506	-12.2%	-14.0%
Total	**13,154**	**3,125**	16,743	3,552	-21.4%	-12.0%

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% to RMB3,125 per tonne for the six months ended 30 June 2013 from RMB3,552 per tonne for the corresponding period in 2012. 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 2013, as a result of slow-down in the China domestic economic growth rate and over-capacity problems in the steel making industry in the PRC.

Cost of Sales and Gross Profit

The gross profit for the six months ended 30 June 2013 was RMB417 million (2012 corresponding period: RMB801 million), representing a decrease of 47.9%. Gross profit margin was 3.2% (2012 corresponding period: 4.8%).

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

	For the six months ended 30 June					
	2013			2012		
	Average cost per tonne *(RMB)*	**Gross profit/(loss) per tonne** *(RMB)*	**Gross profit/(loss) margin**	Average cost per tonne *(RMB)*	Gross profit per tonne *(RMB)*	Gross profit margin
H-section steel products	**3,144**	**159**	**4.8%**	3,450	259	7.0%
Strips and strip products	**2,909**	**78**	**2.6%**	3,282	133	3.9%
Cold rolled sheets and galvanised sheets	**4,406**	**(185)**	**(4.4%)**	4,462	25	0.6%
Billets	**2,662**	**103**	**3.7%**	3,151	99	3.1%
Rebar	**2,951**	**65**	**2.2%**	3,284	221	6.3%
Total	**3,026**	**99**	**3.2%**	3,382	170	4.8%

Gross profit per tonne of the Group's products decreased to RMB99 for the six months ended 30 June 2013 from RMB170 for the corresponding period in 2012, reflecting a decrease of 41.8%. Gross profit margin decreased to 3.2% for the six months ended 30 June 2013 from 4.8% for the corresponding period in 2012. The decrease in gross profit margin was primarily due to the magnitude of decrease in selling prices of the steel products of the Group was much larger than the magnitude of the decrease in raw material prices due to the weak market demand for the six months ended 30 June 2013.

ACCREDITATION FOR THE COMPANY AND ITS MANAGEMENT

For the six months ended 30 June 2013, Jinxi Limited, the subsidiary of the Company, was awarded as "PRC Famous Trademark", while Dafang Heavy Industry was honoured as the Advanced Enterprise on Employment of Hebei Province by the Provincial Government of Hebei.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a workforce of approximately 14,000 and temporary staff of approximately 4,000. The staff cost included basic salaries and benefits. Staff benefits included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc. According to the Group's remuneration policy, employees' package is based on productivity and/or sales performance, and is consistent with the Group's quality control and cost control targets.

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 30 June 2013, the Group had unutilised banking facilities of approximately RMB13.0 billion (31 December 2012: RMB10.5 billion).

As at 30 June 2013, the current ratio of the Group, representing current assets divided by current liabilities, was 1.4 (31 December 2012: 1.3) and the gearing ratio, representing total liabilities divided by total assets, was 60.8% (31 December 2012: 61.4%).

As at 30 June 2013, the cash and cash equivalents of the Group amounted to approximately RMB1,261 million (31 December 2012: RMB879 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 2013, borrowings of RMB6,936 million of the Group bore fixed interest rates ranged from 2.00% to 8.00% per annum and borrowings of RMB1,482 million of the Group bore floating rates ranged from 1.55% to 7.65% 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 2013 and year ended 31 December 2012.

Moreover, most of the borrowings of the Group as at 30 June 2013 were non-current with maturity over two 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 2013, the debt-to-capital ratio of the Group was 63.1% (31 December 2012: 63.2%).

The consolidated interest expenses and capitalised interest for the first half of 2013 amounted to RMB242.51 million (2012 corresponding period: RMB303.40 million). The interest coverage (divide earnings before finance costs – net and taxes by total interest expenses) was 0.7 times (2012 corresponding period: 2.4 times).

Capital Commitments

As at 30 June 2013, the Group had capital commitments of approximately RMB813 million (31 December 2012: RMB563 million). It is estimated that 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 2013, the Group's contingent liabilities amounting to approximately RMB21 million (31 December 2012: RMB30 million), which was the provision of guarantee for bank borrowings in favour of a third party.

Pledge of Assets

As at 30 June 2013, inventories amounting to approximately RMB169 million (31 December 2012: RMB122 million), notes receivable amounting to approximately RMB946 million (31 December 2012: RMB2,200 million) and restricted bank balances amounting to approximately RMB1,910 million (31 December 2012: RMB1,110 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 2013 and for the year ended 31 December 2012.

Iron Ore Swaps

In view of the significant fluctuation of iron ore price in the first half of 2013, the Group has entered into iron ore swap contracts so as to reduce the impact of the volatility of the iron ore price on the Group. The Group uses a combination of iron ore derivatives to achieve the above purpose. As at 30 June 2013, the Group had 350,000 tonnes iron ore swap contracts, which was approximately 2.3% of the iron ore consumption of the Group in 2012.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012 corresponding period: nil).

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

For the six months ended 30 June 2013, the Group has adjusted its steel product mix so as to increase its operation efficiency. As a result, the Group is still able to maintain a profit in the first half of 2013 despite there is a slow down in economic growth of the PRC. In the second half of 2013, the Group will continue to adjust its steel product mix so as to stay competitiveness.

It is expected the volatility in the prices of various raw materials including iron ore, coke and coal will continue to fluctuate and affect the production costs of steel products in the near future. The Group will continue to reduce production costs by closely monitoring the inventory level and adjusting purchasing strategy for raw materials as necessary.

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

The Directors are also optimistic that the demand of steel products will stabilize in the second half of 2013 along with the growth in the construction projects by the PRC government such as the low-income housing and urbanization planning. The Group will continue to tackle the challenges amidst uncertain economic environment and optimise its efficiency and profit margins through effective management and the continued collaboration of its customers.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2013, save for the following deviations:

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

Under Rule 3.10A of the Listing Rules, the Company should appoint independent non-executive directors representing at least one-third of the Board. On 30 April 2013, Mr. Yu Tung Ho ("Mr. Yu") has resigned as an Independent Non-executive Director of the Company. Following the resignation of Mr. Yu, the number of independent non-executive directors of the Company has fallen below the minimum number required under Rule 3.10A. Following the resignation of Mr. Ondra Otradovec ("Mr. Otradovec") and Mr. Liu Lei ("Mr. Liu") who resigned as the Non-executive Directors of the Company on 15 July 2013 and 31 July 2013 respectively, the Board now consists of 9 members comprising 5 executive directors, 1 non-executive director and 3 independent non-executive directors, with the number of independent non-executive directors representing one-third of the Board. Hence the requirement under Rule 3.10A of the Listing Rules has been complied with.

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 2013.

AUDIT COMMITTEE

During the six months ended 30 June 2013, the audit committee of the Company ("Audit Committee") comprised four Independent Non-executive Directors for the period from 1 January 2013 to 29 April 2013 and comprised three Independent Non-executive Directors for the period from 30 April 2013 to 30 June 2013, namely Mr. Wong Man Chung, Francis as the Chairman of the Audit Committee and Mr. Yu Tung Ho (resigned on 30 April 2013), Mr. Wang Tianyi and Mr. Zhou Guoping as the members of the Audit Committee.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the six months ended 30 June 2013 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 2013

The interim results announcement of the Company for the six months ended 30 June 2013 is published on both the websites of the Company (www.chinaorientalgroup.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2013 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

Despite the tough environment in the first half of 2013, the Group is still able to achieve satisfactory results in the first half of 2013. It is 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, 22 August 2013

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Shen Xiaoling, Mr. Zhu Hao and Mr. Han Li being the Executive Directors, Mr. Vijay Kumar Bhatnagar being the Non-executive Director and Mr. Wong Man Chung, Francis, Mr. Wang Tianyi and Mr. Zhou Guoping being the Independent Non-executive Directors.