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)

ANNOUNCEMENT OF 2014 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	Change
Sales volume *(tonnes)*			
– Self-manufactured steel products	**9.37 million**	8.67 million	+8.1%
– Trading of steel products	**0.38 million**	0.91 million	-58.2%
	9.75 million	9.58 million	+1.8%
Revenue (RMB)			
– Sale of self-manufactured steel products	**24.9 billion**	26.5 billion	-5.9%
– Trading of steel products	**1.1 billion**	2.7 billion	-59.3%
– Trading of iron ore	**2.0 billion**	3.0 billion	-33.0%
– Sale of properties	**0.2 billion**	0.1 billion	+111.7%
– Others	**0.3 billion**	0.2 billion	+28.1%
	28.5 billion	32.5 billion	-12.4%
Gross profit (RMB)			
– Sale of self-manufactured steel products	**1,228 million**	868 million	+41.5%
– Trading of steel products	**32 million**	45 million	-28.9%
– Trading of iron ore	**28 million**	55 million	-49.1%
– Sale of properties	**49 million**	18 million	+172.2%
– Others	**31 million**	18 million	+72.2%
	1,368 million	1,004 million	+36.3%
Gross profit per tonne (RMB)			
– Sale of self-manufactured steel products	**131 yuan**	100 yuan	+31.0%

* *For identification purpose only*

	Year ended 31 December		
	2014	2013	Change
EBITDA[1] (RMB)	**1,721 million**	1,615 million	+6.6%
EBITDA margin	**6.0%**	5.0%	N/A
EBIT[2] (RMB)	**626 million**	566 million	+10.6%
EBIT margin	**2.2%**	1.7%	N/A
Profit before income tax (RMB)	**245 million**	249 million	-1.7%
Profit for the year (RMB)	**66 million**	63 million	+5.5%
Profit attributable to owners of the Company (RMB)	**67 million**	102 million	-34.3%
Basic earnings per share (RMB)	**0.02 yuan**	0.03 yuan	-33.3%
Return on equity[3]	**0.7%**	1.1%	N/A
	As at 31 December		
	2014	2013	Change
Total assets (RMB)	**23.74 billion**	23.75 billion	-0.1%
Net assets value per share (exclude non-controlling interests) (RMB)	**3.16 yuan**	3.14 yuan	+0.6%
Debt-to-capital ratio [4]	**77.3%**	58.9%	N/A

1 The Company defines EBITDA as profit for the year before finance costs-net, income tax expense, amortisation of intangible assets, amortisation of leasehold land and land use rights, depreciation, non-recurring items and share-based payments. Non-recurring items for the year ended 31 December 2014 included RMB 89.9 million as impairment of property, plant and equipment.

2 The Company defines EBIT as profit for the year before finance costs-net, income tax expense, non-recurring items and share-based payments. Non-recurring items for the year ended 31 December 2014 included RMB 89.9 million as impairment of property, plant and equipment.

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 year.

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

The board of directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2014 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	3	**28,495,498**	32,516,937
Cost of sales	4	**(27,127,740)**	(31,513,169)
Gross profit		**1,367,758**	1,003,768
Other income	5	**26,352**	46,152
Distribution costs	4	**(100,093)**	(116,241)
Administrative expenses	4	**(432,859)**	(620,841)
Other expenses	4	**(35,661)**	(43,276)
(Losses)/gain from derivative financial instruments	6	**(333,156)**	44,766
Other gains/(losses) – net	7	**37,098**	(68,539)
Operating profit		**529,439**	245,789
Finance income	8	**138,536**	185,278
Finance costs	8	**(422,895)**	(181,726)
Profit before income tax		**245,080**	249,341
Income tax expense	9	**(178,600)**	(186,313)
Profit for the year		**66,480**	63,028
Profit/(loss) attributable to:			
Owners of the Company		**66,715**	101,609
Non-controlling interests		**(235)**	(38,581)
		66,480	63,028
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	10	**RMB 0.02**	RMB 0.03
– Diluted earnings per share	10	**RMB 0.02**	RMB 0.03
		RMB'000	*RMB'000*
Dividends	11	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**66,480**	63,028
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Transfer of fair value gains previously credited to reserve to income statement upon disposal of available-for-sale financial assets	**(28,307)**	–
Item that may 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	**–**	3,892
Fair value gains on available-for-sale financial assets	**20,708**	12,374
	(7,599)	16,266
Total comprehensive income for the year	**58,881**	79,294
Attributable to:		
Owners of the Company	**59,116**	117,875
Non-controlling interests	**(235)**	(38,581)
	58,881	79,294

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	*12*	**136,386**	130,318
Property, plant and equipment	*12*	**8,820,830**	9,160,405
Investment properties	*12*	**7,431**	14,372
Intangible assets	*12*	**8,673**	8,760
Available-for-sale financial assets		**121,243**	149,701
Prepayments, deposits and other receivables	*13*	**33,000**	–
Long-term bank deposits		**–**	52,000
Amount due from a related party		**171,749**	–
Deferred income tax assets		**342,238**	285,894
Total non-current assets		**9,641,550**	9,801,450
Current assets			
Properties under development and held for sale	*14*	**1,317,963**	880,568
Inventories	*15*	**3,169,253**	3,689,967
Trade receivables	*16*	**961,342**	1,110,753
Prepayments, deposits and other receivables	*13*	**1,914,820**	1,799,770
Amounts due from related parties		**6,994**	4,996
Prepaid current income tax		**4,099**	66,607
Loan receivables	*17*	**290,000**	363,232
Notes receivable – bank acceptance notes	*16*	**3,909,346**	3,449,103
Long-term bank deposits due within one year		**52,000**	–
Restricted bank balances		**1,626,978**	1,616,022
Cash and cash equivalents		**849,063**	968,132
Total current assets		**14,101,858**	13,949,150
Total assets		**23,743,408**	23,750,600
EQUITY			
Equity attributable to owners of the Company			
Share capital		**311,853**	311,853
Share premium		**2,192,131**	2,192,131
Other reserves		**1,630,006**	1,587,224
Retained earnings		**5,123,067**	5,099,996
		9,257,057	9,191,204
Non-controlling interests		**514,789**	519,698
Total equity		**9,771,846**	9,710,902

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**1,510,519**	4,283,962
Other long-term payables		**26,129**	26,129
Deferred revenue		**59,284**	57,674
Amounts due to related parties		**247,119**	89,263
Total non-current liabilities		**1,843,051**	4,457,028
Current liabilities			
Trade payables	*18*	**2,719,253**	3,521,390
Accruals, advances and other current liabilities		**2,466,507**	2,341,023
Amounts due to related parties		**104,596**	181,716
Current income tax liabilities		**170,142**	66,930
Derivative financial instruments		**4,689**	–
Borrowings		**6,658,752**	3,435,497
Dividends payable		**4,572**	36,114
Total current liabilities		**12,128,511**	9,582,670
Total liabilities		**13,971,562**	14,039,698
Total equity and liabilities		**23,743,408**	23,750,600
Net current assets		**1,973,347**	4,366,480
Total assets less current liabilities		**11,614,897**	14,167,930

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 ("Reorganisation").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale financial assets, and derivative financial instruments, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of predecessor Company Ordinance (Cap. 32) for the years ended 31 December 2014 and 2013.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following new and amended standards, and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 and are relevant to the Group:

- Amendments to HKAS 32 "Financial Instruments: Presentation" on financial asset and liability offsetting. These amendments are to the application guidance in HKAS 32, "Financial Instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to HKAS 36 "Impairment of Assets" on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- HK (IFRIC)-Int 21 "Levies". This is an interpretation of HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The following new and amended standards, and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 but not currently relevant or do not have material impact to the Group (although they may affect the accounting for future transactions and events):

- Amendment to HKAS 39 "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting.
- Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities".

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

(b) New standard and interpretation not yet adopted

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been early applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits	1 July 2014
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendment to HKFRS 11	Joint arrangements	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
Amendments to HKAS 41	Agriculture	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2010-2012 reporting cycle, 2011-2013 reporting cycle, 2012-2014 reporting cycle and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project:

		Effective for annual periods beginning on or after
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related Party Disclosures	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 5	Non-current assets held for sale and discontinued operations	1 July 2016
HKFRS 7	Financial instruments: Disclosures	1 July 2016
HKAS 19	Employee benefits	1 July 2016
HKAS 34	Interim financial reporting	1 July 2016

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on 1 January 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be.

3. SALES AND SEGMENT INFORMATION

(a) Sales

The Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. Sales recognised for the years ended 31 December 2014 and 2013 were as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Gross sales less discounts, returns and sales taxes		
– Strips and strip products	**10,184,737**	11,098,625
– H-section steel products	**9,076,978**	10,068,657
– Rebar	**3,006,807**	2,461,710
– Iron ore	**2,045,054**	3,050,802
– Cold rolled sheets and galvanised sheets	**1,876,837**	1,561,753
– Billets	**1,672,317**	3,960,533
– Real estate	**238,928**	112,886
– Steel pile sheet	**135,202**	–
– Others	**258,638**	201,971
	28,495,498	32,516,937

(b) Segment information

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

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

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

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

The chief decision-maker assesses the performance of the operating segments based on a measure of revenue and operating profit. This measurement is consistent with that in the annual financial statements.

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

	Year ended 31 December 2014		
	Iron and steel	**Real estate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**28,256,570**	**238,928**	**28,495,498**
Segment operating profit	**506,810**	**22,629**	**529,439**
Finance (costs)/income – net	**(285,619)**	**1,260**	**(284,359)**
Profit before income tax			**245,080**
Income tax expense			**(178,600)**
Profit for the year			**66,480**
Other income statement items			
Depreciation and amortisation	**1,093,777**	**813**	**1,094,590**
Impairment of property, plant and equipment	**89,944**	**–**	**89,944**
Capital expenditure	**822,221**	**351**	**822,572**

	Year ended 31 December 2013		
	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	32,404,051	112,886	32,516,937
Segment operating profit	242,421	3,368	245,789
Finance income – net	1,465	2,087	3,552
Profit before income tax			249,341
Income tax expense			(186,313)
Profit for the year			63,028
Other income statement items			
Depreciation and amortisation	1,049,152	653	1,049,805
Impairment of property, plant and equipment	79,053	–	79,053
Capital expenditure	1,246,803	727	1,247,530

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, prepayments, deposits and other receivables, long-term bank deposits, inventories, trade receivables, amounts due from related parties, notes receivable, restricted bank balances and cash and cash equivalents.

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

The segment assets and liabilities as at 31 December 2014 were as follows:

	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**21,438,925**	**1,546,903**	**22,985,828**
Segment assets for reportable segments			**22,985,828**
Unallocated:			
Deferred income tax assets			**342,238**
Available-for-sale financial assets			**121,243**
Loan receivables			**290,000**
Prepaid current income tax			**4,099**
Total assets per balance sheet			**23,743,408**
Total liabilities	**4,759,438**	**863,450**	**5,622,888**
Segment liabilities for reportable segments			**5,622,888**
Unallocated:			
Current income tax liabilities			**170,142**
Current borrowings			**6,658,752**
Non-current borrowings			**1,510,519**
Derivative financial instruments			**4,689**
Dividends payable			**4,572**
Total liabilities per balance sheet			**13,971,562**

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

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

4. EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Employee benefit expense	**918,266**	971,986
Changes in inventories of finished goods and work in progress	**(173,160)**	(456,800)
Raw materials used	**23,742,745**	28,324,999
Cost of properties sold	**188,114**	95,569
Utilities	**1,358,787**	1,497,502
Amortisation of leasehold land and land use rights *(Note 12)*	**3,485**	3,405
Depreciation of property, plant and equipment *(Note 12)*	**1,090,556**	1,045,516
Amortisation of intangible assets *(Note 12)*	**108**	78
Depreciation of investment properties *(Note 12)*	**441**	806
Operating lease expenses in respect of land use rights	**3,704**	3,458
Provision for impairment of trade receivables *(Note 16)*	**3,726**	6,738
Impairment provision of prepayments, deposits and other receivables *(Note 13)*	**15,500**	226,136
Impairment provision of loan receivables *(Note 17)*	**15,732**	40,968
Provision for write-down of inventories to net realisable value *(Note 15)*	**60,306**	28,180
Auditors' remuneration	**5,540**	5,281
Rental fee	**144,695**	192,490
Others	**317,808**	307,215
Total	**27,696,353**	32,293,527

5. OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Rental income from investment properties	**1,797**	2,363
Income from other operating leases	**22,250**	27,580
Investment income from trading fund	**–**	5,653
Others	**2,305**	10,556
Total	**26,352**	46,152

6. (LOSSES)/GAIN FROM DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Investment (losses)/gain from iron ore swap contracts	**(330,186)**	40,955
Investment (losses)/gain from rebar future contracts	**(2,970)**	3,811
Total	**(333,156)**	44,766

In year 2014 and 2013, the Group entered into certain iron ore swap contracts with a financial institution to reduce the impact of the volatility of raw material prices. All the iron ore swap contracts had been fully settled as at 31 December 2014 and realised losses of RMB 331 million (2013: gain of RMB 41 million).

As at 31 December 2014, the realised gains amounted to RMB 1.7 million and unrealised losses amounted to RMB 4.7 million were derived from rebar future contracts. A derivative financial liability of RMB 4.7 million was recognised on balance sheet as at 31 December 2014 accordingly.

7. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Gains of raw materials and by-products	**18,235**	2,368
Government grants	**91,826**	61,904
Impairment of property, plant and equipment *(Note 12)*	**(89,944)**	(79,053)
Provision for legal claims	**(7,746)**	(50,778)
(Losses)/Gain on disposal of property, plant and equipment	**(2,396)**	2,634
Gain on disposal of an associate	**–**	50,000
Other foreign exchange losses – net	**(2,623)**	(33,631)
Gain on repurchase of Senior Notes	**2,096**	–
Gain on disposal of available-for-sale financial assets	**28,307**	–
Impairment of available-for-sale financial assets	**–**	(23,845)
Others	**(657)**	1,862
Total other gains/(losses) – net	**37,098**	(68,539)

8. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interest expenses		
– borrowings	**(460,211)**	(470,407)
– amounts due to related parties	**(21,671)**	(17,279)
– discount of notes receivable	**(506)**	(302)
– finance lease liabilities	**–**	(7,327)
Net foreign exchange (losses)/gains on borrowings	**(18,022)**	217,072
Finance costs	**(500,410)**	(278,243)
Less: amounts capitalised as qualifying assets	**77,515**	96,517
Total finance costs	**(422,895)**	(181,726)
Interest income		
– bank deposits	**34,944**	39,224
– trade receivables	**27,821**	35,185
– prepayments, deposits and other receivables	**17,341**	50,689
– amount due from a related party	**13,893**	5,255
– loan receivables	**44,537**	54,925
Total finance income	**138,536**	185,278
Finance (costs)/income – net	**(284,359)**	3,552

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax (the "EIT")	**234,944**	269,360
– Singapore profit tax	**–**	1,757
	234,944	271,117
Deferred income tax	**(56,344)**	(84,804)
	178,600	186,313

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 did not have assessable profits during the year (2013: nil).

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

No profits tax has been provided for XTAL Inc. ("XTAL") in United States since it did not have assessable profits during the year.

The PRC EIT is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items which are not assessable or deductible for income tax purposes. The EIT rate applicable to the subsidiaries incorporated in the PRC is 25% (2013: 25% except for Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Co., Limited ("Jinxi Dafang") which was entitled to preferential corporate tax rate of 15%).

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 41.26% (2013: 27.35%) to respective profits of the consolidated entities for the years ended 31 December 2014 and 2013 as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**245,080**	249,341
Taxation calculated at statutory tax rate	**101,116**	68,195
Tax losses for which no deferred income tax asset was recognised	**60,353**	69,101
Effect of change in the tax rate	**(615)**	939
Withholding tax of interest and dividend income	**5,321**	24,743
Effect of non-deductible expenses	**12,425**	23,335
	178,600	186,313

10. 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 year.

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**66,715**	101,609
Weighted average number of ordinary shares in issue *(thousands)*	**2,931,425**	2,931,178
Basic earnings per share *(RMB per share)*	**0.02**	0.03

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. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**66,715**	101,609
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,931,425**	2,931,178
Adjustments for options *(thousands)*	**–**	117
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,931,425**	2,931,295
Diluted earnings per share *(RMB per share)*	**0.02**	0.03

11. DIVIDENDS

At a meeting held on 19 March 2015, the Board did not recommend the payment of any final dividend in respect of the year ended 31 December 2014 (2013: nil).

12. CAPITAL EXPENDITURE

	Leasehold land and land use rights *RMB'000*	Property, plant and equipment *RMB'000*	Investment properties *RMB'000*	Intangible assets *RMB'000*
Year ended 31 December 2014				
Opening carrying amount as at 1 January 2014	**130,318**	**9,160,405**	**14,372**	**8,760**
Additions	**9,553**	**812,998**	**–**	**21**
Transfer	**–**	**34,866**	**(6,500)**	**–**
Disposals	**–**	**(6,939)**	**–**	**–**
Depreciation and amortisation *(Note 4)*	**(3,485)**	**(1,090,556)**	**(441)**	**(108)**
Impairment *(Note 7)*	**–**	**(89,944)**	**–**	**–**
Closing carrying amount as at 31 December 2014	**136,386**	**8,820,830**	**7,431**	**8,673**
Year ended 31 December 2013				
Opening carrying amount as at 1 January 2013	133,723	9,039,970	15,178	8,629
Additions	–	1,247,321	–	209
Disposals	–	(2,317)	–	–
Depreciation and amortisation *(Note 4)*	(3,405)	(1,045,516)	(806)	(78)
Impairment *(Note 7)*	–	(79,053)	–	–
Closing carrying amount as at 31 December 2013	130,318	9,160,405	14,372	8,760

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2014 *RMB'000*	2013 *RMB'000*
Non-current		
Prepayments for purchase of property, plant and equipment	**234,235**	234,235
Deposits and other receivables	**33,000**	–
Less: impairment provision *(Note 4)*	**(234,235)**	(234,235)
	33,000	–
Current		
Prepayments for purchase of inventories	**1,058,033**	1,330,241
Deposits and other receivables	**697,731**	497,508
Prepaid expenses	**216,066**	13,918
Less: impairment provision *(Note 4)*	**(57,010)**	(41,897)
	1,914,820	1,799,770
	1,947,820	1,799,770

The fair values of prepayments, deposits and other receivables approximated their carrying amounts as at the balance sheet date, as the impact of discounting is not significant.

14. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Properties under development comprise:		
– Construction costs	**454,356**	290,061
– Land use rights	**656,869**	428,477
– Interests capitalised	**72,108**	31,282
	1,183,333	749,820
Completed properties held for sale	**134,630**	130,748
	1,317,963	880,568

The properties under development and held for sale are all located in the PRC. The related land use rights are on leases of 40 to 70 years.

15. INVENTORIES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Raw materials and materials in-transit	**1,975,497**	2,304,221
Work-in-progress	**251,923**	378,046
Finished goods	**941,833**	1,007,700
	3,169,253	3,689,967

As at 31 December 2014, inventories with a net book value of RMB 112 million (2013: RMB 152 million) were pledged as security for the Group's notes payable (Note 18), and RMB 17 million (2013: RMB 41 million) were withheld by and in custody of a court.

As at 31 December 2014, no inventories (2013: RMB 131 million) were pledged as security for the Group's bank borrowings.

The cost of inventories recognised in cost of sales for the year ended 31 December 2014 amounted to RMB 26,940 million (2013: RMB 31,415 million).

For the year ended 31 December 2014, the Group recognised a loss of RMB 60 million (2013: RMB 28 million) in respect of the write-down of inventories to net realisable values (Note 4).

16. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**574,875**	685,005
Long-term trade receivables – current position	**400,000**	435,555
Less: impairment provision for trade receivables *(Note 4)*	**(13,533)**	(9,807)
Trade receivables – net	**961,342**	1,110,753
Notes receivable	**3,909,346**	3,449,103
Total trade and notes receivables, net of provision	**4,870,688**	4,559,856

The long-term trade receivables – current portion represents the receivables for the provision of construction services in the previous year and bear interest at a rate of 6.3% per annum. As at 31 December 2014, the receivables were overdue but not impaired since they were fully secured by the pledge of property, plant and equipment of the customer.

The notes receivable are all bank acceptance notes. The settlement of the notes receivable were guaranteed by banks with maturity dates within six months and the credit risks of the notes receivable are considered low.

As at 31 December 2014, approximately RMB 5 million (2013: RMB 219 million) and RMB 799 million (2013: RMB 1,079 million) were pledged as security for the Group's notes payable (Note 18) and borrowings respectively and RMB 10 million was withheld by and in custody of a court in relation to a lawsuit of the Group.

The fair values of trade and notes receivables approximated their carrying amounts as at the balance sheet date, as the impact of discounting is not significant.

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

As at 31 December 2014 and 2013, the ageing analysis of the gross amount of trade and notes receivables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**3,350,567**	2,329,917
4-6 months	**1,066,262**	1,754,991
7-12 months	**53,859**	49,200
Over 1 year	**413,533**	435,555
	4,884,221	4,569,663

As at 31 December 2014, trade receivables amounting to RMB 151 million (2013: RMB 403 million) were secured by letters of credit issued by third party customers and those amounting to RMB 479 million (2013: RMB 436 million) were secured by the pledge of property, plant and equipment of customers.

As at 31 December 2014, trade receivables of RMB 498 million (2013: RMB 147 million) were past due, of which amounting to RMB 14 million (2013: RMB 10 million) were fully impaired. The remaining balances of these receivables were past due but not impaired which related to a number of customers with no recent history of default or were fully secured by the pledge of property, plant and equipment by customers.

The ageing analysis of these trade receivables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**84,578**	146,564
Over 1 year	**413,533**	–
	498,111	146,564

17. LOAN RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Long-term loan receivable – current portion *(a)*	**–**	300,000
Loan receivables *(b)*	**347,000**	104,500
Less: impairment provision *(c) (Note 4)*	**(57,000)**	(41,268)
Total loan receivables	**290,000**	363,232

The Group provided loans to third parties. The details of the loans are set out below:

(a) As at 31 December 2013, an entrusted long-term loan receivable of RMB 300 million was secured by the pledge of certain property, plant and equipment of the borrower, bore interest at a rate of 12% per annum and had been repaid in full in July 2014.

(b) As at 31 December 2014, a loan receivable of RMB 290 million was secured by the pledge of certain property, plant and equipment of borrower, bearing interest at a rate of 12% per annum and repayable in full in July 2015. The remaining RMB 57 million (2013: RMB 85 million) comprised various loans of individual amount ranging from RMB 7 million to RMB 20 million (2013: RMB 3 million to RMB 40 million), which were secured by the pledged of property, plant and equipment of the borrowers or guarantees of the borrowers or other parties, and interest bearing at rates ranging from 19.8% to 24.0% (2013: 19.8% to 24.0%) per annum. RMB 20 million of the current loan receivables as at 31 December 2013 were unsecured and bearing interest at a rate of 20% per annum.

(c) As at 31 December 2014, provisions amounting to RMB 57 million were made on the loan receivables given that the borrowers were in significant financial difficulty and had defaulted in scheduled payments and there was significant uncertainty of recovering the loan receivables by the enforcement of mortgage rights.

The fair values of loan receivables approximated their carrying amounts as at the balance sheet date, as the impact of discounting is not significant.

18. TRADE PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Account payables	**1,916,982**	2,279,265
Notes payable	**802,271**	1,242,125
	2,719,253	3,521,390

As at 31 December 2014, all notes payable represented bank acceptance notes, of which RMB 5 million (2013: RMB 219 million) were secured by certain notes receivable (Note 16), RMB 628 million (2013: RMB 833 million) were secured by certain restricted bank balances, and RMB 169 million (2013: RMB 190 million) were secured by certain inventories (Note 15) and certain restricted bank balances.

As at 31 December 2014 and 2013, the ageing analysis of the trade payables was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**1,877,319**	2,656,282
4-6 months	**480,793**	696,399
7-9 months	**90,585**	77,508
10-12 months	**55,223**	28,260
Over 1 year	**215,333**	62,941
	2,719,253	3,521,390

19. FINANCIAL GUARANTEE CONTRACTS

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Guarantee for bank borrowings of third parties	**12,960**	21,157

As at 31 December 2014, Hebei Jinxi Iron and Steel Group Company Limited ("Jinxi Limited") provided guarantee for bank borrowings in favour of a third party amounted to approximately RMB 13 million (2013: RMB 21 million). The fair value of the financial guarantee are not significant.

The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

20. COMMITMENTS

(a) Capital Commitments

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Purchase of property, plant and equipment		
– Contracted but not provided for	**412,844**	260,644
– Authorised but not contracted for	**171,123**	238,508
	583,967	499,152

(b) Commitments to properties under development

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Purchase of properties under development	**352,042**	244,350

(c) Operating Lease Commitments

The future aggregate minimum lease rental expenses in respect of land use rights, property, plant and equipment under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
No later than one year	**10,103**	145,537
Later than one year and no later than five years	**31,910**	35,193
Later than five years	**120,337**	137,784
	162,350	318,514

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2014. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

As the economic growth of the Mainland China slowed down in 2014 and affected by regulation and control of the real estate market, the imbalance of demand and supply of the steel industry in 2014 has yet to improve, which together with the fluctuation in raw material prices and the increase in stockpiles of steel in Mainland China resulted in a significant decline of approximately 13.0% in the average selling price of self-manufactured steel products of the Group during the year ended 31 December 2014 as compared with that of prior year and certain assets of the Group were impaired. Facing such difficulties of the steel industry, the Group still managed to record revenue and profit attributable to owners of the Company of approximately RMB 28.5 billion and approximately RMB 67 million for 2014 respectively, a decrease of approximately 12.4% and 34.3% respectively, through development and optimization of products and improvement and control of production cost. The net profit of the Group for the year ended 31 December 2014 amounted to approximately RMB 66 million, a slightly increase of approximately 5.5%.

With respect to the steel business, the Group has invested substantial resources and endeavored to enhance the competitiveness of its products and reduce production cost so as to achieve better economic effect. These efforts include improvement of production facilities to enhance efficiency, differentiation of products and reduction of emission. The self-generated electricity proportion of the Group in 2014 increased to approximately 40% from approximately 30% in 2013, which further reduced the production cost of the Group. Furthermore, the Group has been actively conducting research and development of new products and successfully launched steel pile sheet in 2013. This new product recorded sales of approximately 39,000 tonnes and generated revenue of approximately RMB 135 million in 2014. The Group also successfully developed, produced and sold hot rolled round bar and rebar product series which are mainly used in manufacture of machinery spare parts and large construction. Riding the tide of infrastructure investment in Mainland China, we believe that such products can bring development opportunities and remarkable revenue to the Group. Also, new products such as H-section steel and steel pile sheet developed by the Group can be used in foundation construction, etc. with broader market prospect. The Group sold approximately 3 million tonnes of self-produced H-section steel products in 2014, continuing to secure its leading position in the H-section steel market of Mainland China.

With respect to the real estate business, the Group completed gross floor area ("GFA") of 124,169 m^2 of the second phase of the property development project namely "Donghu Bay" which is located in Tangshan City, Hebei Province, the PRC. The Group recorded revenue and operating profit from real estate business of approximately RMB 239 million and approximately RMB 23 million respectively for the year ended 31 December 2014. The whole of the third phase of the Donghu Bay project and the Xintiandi project are expected to be completed in 2016. In addition, the Group will also actively promote the usage of environmental friendly construction and development. In 2014, the Group successfully bided a land located at Huashan Road of Suzhou (namely the "Meishu Hall") with a total construction GFA of approximately 82,000 m^2 which will provide land reserve for the sustaining development of our real estate business. Preliminary development has commenced for Meishu Hall, and it is expected that the main structure and the structural construction of the project will be completed in 2016.

During 2014, the Group continued its the trading business of steel products and iron ore. For the year ended 31 December 2014, the revenue and gross profit arising from trading of steel products and iron ore were approximately RMB 3,105 million (2013: approximately RMB 5,736 million) and approximately RMB 60 million (2013: approximately RMB 100 million) respectively.

The Group also engages in financing industry through its subsidiaries, Oriental Fullhero Leasing Company Limited ("Fullhero Leasing"), Oriental Evertrust Finance Leasing Co., Ltd. ("Oriental Evertrust") and Tianjin Oriental Huitong Microcredit Company Limited ("Oriental Huitong"). As at 31 December 2014, Oriental Fullhero, Oriental Evertrust and Oriental Huitong provided loans totaling RMB 347 million to independent third parties with interest ranging from 12.0% to 24.0% per annum.

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

Business review

Sales analysis from sale of self-manufactured steel products

Sales Volume

In 2014, the total sales volume was 9,371,000 tonnes (2013: 8,665,000 tonnes), representing an increase of approximately 8.1%.

The sales volume breakdown during the year was as follows:

	2014 Sales volume *('000 tonnes)*		2013 Sales volume *('000 tonnes)*		Changes in Sales volume *Increase/ (Decrease)*
H-section steel products	**3,062**	**32.7%**	3,084	35.6%	(0.7%)
Strips and strip products	**4,025**	**42.9%**	3,752	43.3%	7.3%
Billets	**668**	**7.1%**	926	10.7%	(27.9%)
Cold rolled sheets and galvanised sheets	**503**	**5.4%**	316	3.6%	59.2%
Rebar	**1,074**	**11.5%**	587	6.8%	83.0%
Steel pile sheet	**39**	**0.4%**	–	–	N/A
Total	**9,371**	**100%**	8,665	100%	8.1%

During the year of 2014, the Group's production capacity is 11 million tonnes per annum.

Revenue

Revenue in 2014 was RMB 24,894 million (2013: RMB 26,466 million), representing a decrease of approximately 5.9%.

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

	2014		2013		Changes	
	Revenue	**Average selling price**	Revenue	Average selling price	Revenue	Average selling price
	(RMB million)	***(RMB/tonne)***	*(RMB million)*	*(RMB/tonne)*	*Increase/(Decrease)*	
H-section steel products	**8,480**	**2,769**	9,897	3,209	(14.3%)	(13.7%)
Strips and strip products	**10,184**	**2,530**	10,993	2,930	(7.4%)	(13.7%)
Billets	**1,563**	**2,341**	2,540	2,743	(38.5%)	(14.7%)
Cold rolled sheets and galvanised sheets	**1,877**	**3,734**	1,326	4,196	41.6%	(11.0%)
Rebar	**2,655**	**2,472**	1,710	2,913	55.3%	(15.1%)
Steel pile sheet	**135**	**3,512**	–	–	N/A	N/A
Total/combined	**24,894**	**2,657**	26,466	3,054	(5.9%)	(13.0%)

The decrease in revenue was mainly due to the slowdown of the investment in steel related industries and the imbalance between the demand and the supply of the steel production capacity in Mainland China which led to a decrease in the Group's average selling price by 13.0% to RMB 2,657 per tonne in 2014 from RMB 3,054 per tonne in 2013.

Cost of Sales and Gross Profit

The consolidated gross profit in 2014 was RMB 1,228 million (2013: RMB 868 million), representing an increase of approximately 41.5%.

Average unit cost per tonne, gross profit per tonne and gross profit margin during the year were as follows:

	2014			2013		
	Average unit cost *(RMB/tonne)*	**Gross profit/(loss) per tonne** *(RMB)*	**Gross profit/(loss) margin**	Average unit cost *(RMB/tonne)*	Gross profit/(loss) per tonne *(RMB)*	Gross profit/(loss) margin
H-section steel products	**2,595**	**174**	**6.3%**	3,057	152	4.7%
Strips and strip products	**2,363**	**167**	**6.6%**	2,819	111	3.8%
Billets	**2,331**	**10**	**0.4%**	2,714	29	1.1%
Cold rolled sheets and galvanised sheets	**3,858**	**(124)**	**(3.3%)**	4,350	(154)	(3.7%)
Rebar	**2,407**	**65**	**2.6%**	2,907	6	0.2%
Steel pile sheet	**3,332**	**180**	**5.1%**	–	–	–
Total	**2,526**	**131**	**4.9%**	2,954	100	3.3%

Gross profit per tonne of the Group's products increased to RMB 131 in 2014 from RMB 100 in 2013, reflecting an increase of 31.0%. Gross profit margin increased to 4.9% in 2014 from 3.3% in 2013. The increased in gross profit margin was primarily due to the magnitude of decrease in the iron ore price, one of the major raw materials for production of steel products, was higher than the magnitude of the decrease in the average selling price of the steel products of the Group in 2014.

Property Development

In 2014, the Group had completed GFA of 124,169 m^2. The status of the completed GFA by project is set out as follow:

No.	**City**	**Property project**	**Phase of project**	**Total GFA** *(m^2)*
1	Tangshan	Donghu Bay	Phase 2 and Villa	124,169

For the year ended 31 December 2014, the revenue from real estate business of the Group amounted to approximately RMB 239 million. The GFA of properties delivered was 54,283 m^2. The average selling price of properties delivered was approximately RMB 4,400 per m^2.

As at 31 December 2014, the Group had the following projects under construction with a GFA of approximately 273,000 m²:

No.	City	Property project	Phase of project	GFA under Construction *(m²)*	Estimate time of completion
1	Tangshan	Donghu Bay	Phase 3	85,250	December 2016
2	Suzhou	Xintiandi	Residential and basement	39,691	August 2015
3	Suzhou	Xintiandi	Commercial and office	65,670	October 2016
4	Suzhou	Meishu Hall	Foundation construction	82,455	September 2016

The above projects are expected to be completed from 2015 to 2016 and will contribute stable revenue and profits to our Group.

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 31 December 2014, the Group had unutilised banking facilities of approximately RMB 7.3 billion (2013: RMB 12.5 billion).

As at 31 December 2014, the current ratio of the Group, representing current assets divided by current liabilities, was 1.2 (2013: 1.5) and the gearing ratio, representing total liabilities divided by total assets, was 58.8% (2013: 59.1%).

As at 31 December 2014, the cash and cash equivalents of the Group amounted to approximately RMB 849 million (2013: approximately RMB 968 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 Structure

During the period from November 2014 to December 2014, the Company purchased a total of US$5,175,000 in principal amount of the 2017 Senior Notes via open market. As at 31 December 2014, the outstanding principal amount of the 2015 Senior Notes and the 2017 Senior Notes was US$490,183,000 and US$207,585,000 respectively.

As at 31 December 2014, borrowings of RMB 6,456 million of the Group bore fixed interest rates ranged from 1.1% to 8.0% per annum and borrowings of RMB 1,713 million of the Group bore floating rates ranged from 1.5% to 3.9% 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 year ended 31 December 2014 and 2013.

The Group monitors its capital on the basis of the debt-to-capital ratio. This ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings and borrowings from related parties. The Group regards its non-current borrowings, non-current borrowings from related parties and its equity attributable to owners of the Company as its total capital. As at 31 December 2014, the debt-to-capital ratio of the Group was 77.3% (2013: 58.9%).

The consolidated interest expenses and capitalised interest in 2014 amounted to RMB 482 million (2013: RMB 495 million). The interest coverage (divide profit for the year before finance cost – net and income tax expense by total interest expenses) was 1.1 times (2013: 1.1 times).

Commitments

As at 31 December 2014, the Group had total commitments of RMB 1,098 million (2013: RMB 1,062 million). It is estimated the commitments will be financed by the Group's internal resources and unutilised banking facilities.

Guarantee and Contingent Liabilities

As at 31 December 2014, the Group's contingent liabilities amounted to approximately RMB 13 million (2013: RMB 21 million), which was the provision of guarantee for bank borrowings in favor of a third party.

Pledge of Assets

As at 31 December 2014, the net book value of the Group's inventories amounting to approximately RMB 112 million (2013: approximately RMB 283 million), notes receivable amounting to approximately RMB 804 million (2013: approximately RMB 1,297 million) and restricted bank balances amounting to approximately RMB 1,625 million (2013: approximately RMB 1,583 million) had been pledged as security for the Group's notes payable issuing, banking borrowings and letter of credit issuing.

As at 31 December 2014, the net book value of the Group's inventories amounting to approximately RMB 17 million (2013: RMB 41 million), notes receivable amounting to approximately RMB 10 million (2013: nil) and restricted bank balances amounting to approximately RMB 2 million (2013: RMB 33 million) were withheld by and in custody of the courts.

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 fluctuates in reaction to the macro-economic performance of different countries and fund flows between countries arising from trade or capital commitments. The Group has not used any derivatives to hedge its exposure to foreign exchange risk for the years ended 31 December 2014 and 2013.

Iron Ore Swaps

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

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2014.

Post Balance Sheet Events

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

During the period from January 2015 to February 2015, the Company purchased a total of US$12,400,000 in principal amount of the 2015 Senior Notes and a total of US$3,250,000 in principal amount of the 2017 Senior Notes via open market.

On 9 February 2015, the Company commenced the offer to repurchase for cash any and all of its outstanding 2015 Senior Notes and 2017 Senior Notes.

The offer expired on 9 March 2015. A total of US$125,933,000 in principal amount of the 2015 Senior Notes and US$65,067,000 in principal amount of the 2017 Senior Notes had been repurchased and cancelled by the Company.

Following the completion of the repurchase, as of the date of this announcement, the outstanding aggregate principal amount of the 2015 Senior Notes is US$351,850,000 and the outstanding aggregate principal amount of the 2017 Senior Notes is US$139,268,000.

Accreditation for the Company and its Management

For the year ended 31 December 2014, Hebei Jinxi Iron and Steel Group Company Limited, a subsidiary of the Company is awarded the "Hebei Innovative Leading Enterprise", the "Hebei Credible Enterprise", "Tangshan Model Enterprise for Implementation of Trademark Strategy" and so on, and awarded as "Non-profit Research Project Pilot Demonstration Unit" by National Technical Committee for Steel Standardization. Its steel pile sheet products upgrading project even awarded the "Champion of Tangshan Excellent Technical Transformation and Innovation Projects". Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Company Limited, another subsidiary of the Company, was named as the "2^{nd} Top 100 Integrated Enterprises of China Foundry Industry" and awarded the "Gold Award on Quality Castings of 2014 China International Foundry Expo".

Human Resources and Remuneration Policies

As at 31 December 2014, the Group had a workforce of approximately 13,600 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.. Effective from July 2008, the Group implemented a workers' injury insurance scheme and contributed 1.5% of the workers' wages to the Social Insurance Bureau. 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.

Future Prospects

It is expected that the global economy will continue to fluctuate in 2015, while the growth of the domestic economy of Mainland China will be expected to be slower than last year and the problem of overcapacity in steel production will be prominent, resulting in a more severe condition for the steel industry in Mainland China. In addition, the implementation of the new "Production Safety Law" and "Environmental Protection Laws" of Mainland China and the policy of suppressing and reducing capacity will generate greater pressure on steel enterprises in respect of safety, environmental protection and transformation and upgrade. The Group will use creative marketing mode, develop international sales through e-commerce platform and establish a global sales network to expand its market coverage, which will provide strong assurance and support for the enhancement of the Group's efficiency. Furthermore, the Group will deepen the adjustment of its customer mix and focus on services and production. It will also improve its system by closely monitoring changes in production demand and strengthening purchase management to ensure a low stock level and reduce purchasing cost and market risks.

The Group will continue to keep an eye on state projects which will consume large volume of steel, collect more information about market shortages and product information to guide its new product development. In addition, it will strengthen the control of operating risks to ensure its robust operation.

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Apart from the repurchase of a total of principal amount of US$5,175,000 of the 2017 Senior Notes, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2014, 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.

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 year ended 31 December 2014.

AUDIT COMMITTEE

During the year ended 31 December 2014, the audit committee of the Company ("Audit Committee") comprised three Independent Non-executive Directors, namely Mr. WONG Man Chung, Francis as the Chairman of the Audit Committee and Mr. WANG Tianyi and Mr. ZHOU Guoping as the members of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014 and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the consolidated financial statements 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 annual report.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Suites 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 27 May 2015 at 9:30 a.m. Notice of the annual general meeting will be published and dispatched to the shareholders of the Company as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 May 2015 to Wednesday, 27 May 2015 (both dates inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. The record date for the annual general meeting shall be 27 May 2015. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2015.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR 2014

The annual results announcement of the Company for the year ended 31 December 2014 is published on both the websites of the Company (www.chinaorientalgroup.com) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2014 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

PUBLIC FLOAT

Trading in the shares of the Company had been suspended from 29 April 2014 when the public float of the Company fell below 25%. The Stock Exchange indicated that the Company is required to suspend trading in the shares of the Company until the minimum public float is restored. Details of public float status of the Company have been disclosed in the Company's announcements dated 30 December 2013, 11 April 2014, 5 May 2014, 30 May 2014, 6 July 2014, 20 August 2014, 26 August 2014, 5 September 2014, 16 October 2014, 21 November 2014, 16 December 2014, 13 February 2015 and 18 March 2015.

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

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

APPRECIATION

The Board would like to extend its heartfelt gratitude to all of our staff for their hard work and dedication to the Group, and to our Shareholders for their continuous support and trust in the Company.

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

Hong Kong, 19 March 2015

As at the date of this announcement, the Board of Directors of the Company comprises Mr. HAN Jingyuan, Mr. ZHU Jun, Mr. SHEN Xiaoling, Mr. ZHU Hao and Mr. HAN Li being the Executive Directors, Mr. Ondra OTRADOVEC being the Non-Executive Director and Mr. WONG Man Chung, Francis, Mr. WANG Tianyi and Mr. ZHOU Guoping being the Independent Non-Executive Directors.