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 2015 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2015	2014	Change
Sales volume *(tonnes)*			
– Self-manufactured steel products	**9.93 million**	9.37 million	+6.0%
– Trading of steel products	**0.23 million**	0.38 million	-39.5%
	10.16 million	9.75 million	+4.2%
Revenue (RMB)			
– Sale of self-manufactured steel products	**19.0 billion**	24.9 billion	-23.5%
– Trading of steel products	**0.5 billion**	1.1 billion	-54.5%
– Trading of iron ore	**0.9 billion**	2.0 billion	-56.3%
– Sale of properties	**0.5 billion**	0.2 billion	+92.8%
– Others	**0.2 billion**	0.3 billion	-20.3%
	21.1 billion	28.5 billion	-26.1%
Gross profit/(loss) (RMB)			
– Sale of self-manufactured steel products	**328 million**	1,228 million	-73.3%
– Trading of steel products	**12 million**	32 million	-62.5%
– Trading of iron ore	**(54) million**	28 million	-292.9%
– Sale of properties	**52 million**	49 million	+6.1%
– Others	**19 million**	31 million	-38.7%
	357 million	1,368 million	-73.9%
Gross profit per tonne (RMB)			
– Sale of self-manufactured steel products	**33 yuan**	131 yuan	-74.8%

* *For identification purpose only*

	Year ended 31 December		
	2015	2014	Change
EBITDA[1] (RMB)	**1,151 million**	1,721 million	-33.1%
EBITDA margin	**5.5%**	6.0%	N/A
EBIT[2] (RMB)	**53 million**	626 million	-91.5%
EBIT margin	**0.3%**	2.2%	N/A
(Loss)/Profit before income tax (RMB)	**(890) million**	245 million	-463.0%
(Loss)/Profit for the year (RMB)	**(936) million**	66 million	-1,508.0%
(Loss)/Profit attributable to owners of the Company (RMB)	**(767) million**	67 million	-1,248.9%
Basic (losses)/earnings per share (RMB)	**(0.26) yuan**	0.02 yuan	-1,400.0%
Return on equity[3]	**-8.6%**	0.7%	N/A
	As at 31 December		
	2015	2014	Change
Total assets (RMB)	**22.36 billion**	23.74 billion	-5.8%
Net assets value per share (exclude non-controlling interests) (RMB)	**2.90 yuan**	3.16 yuan	-8.2%
Debt-to-capital ratio [4]	**45.4%**	77.3%	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 2015 included RMB 521 million (2014: 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 2015 included RMB 521 million (2014: 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, other long-term payables and borrowings from related parties. Total capital includes the non-current borrowings, non-current portion of other long-term payables, non-current portion of borrowings from related parties and its equity attributable to owners of the Company.

The board of directors of the Company (the "Board" or "Director(s)") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**21,071,538**	28,495,498
Cost of sales	*4*	**(20,714,679)**	(27,127,740)
Gross profit		**356,859**	1,367,758
Other income	*5*	**22,555**	26,352
Distribution costs	*4*	**(100,767)**	(100,093)
Administrative expenses	*4*	**(421,648)**	(432,859)
Other expenses	*4*	**(20,000)**	(35,661)
Losses from derivative financial instruments	*6*	**(5,040)**	(333,156)
Other (losses)/gains – net	*7*	**(299,046)**	37,098
Operating (loss)/profit		**(467,087)**	529,439
Finance income	*8*	**122,129**	138,536
Finance costs	*8*	**(543,965)**	(422,895)
Finance cost – net		**(421,836)**	(284,359)
Share of result of an associate		**(745)**	–
(Loss)/Profit before income tax		**(889,668)**	245,080
Income tax expense	*9*	**(46,349)**	(178,600)
(Loss)/Profit for the year		**(936,017)**	66,480
(Loss)/Profit attributable to:			
Owners of the Company		**(766,503)**	66,715
Non-controlling interests		**(169,514)**	(235)
		(936,017)	66,480
(Losses)/Earnings per share for (loss)/profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic (losses)/earnings per share	*10*	**RMB (0.26)**	RMB 0.02
– Diluted (losses)/earnings per share	*10*	**RMB (0.26)**	RMB 0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(936,017)**	66,480
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Fair value gains on available-for-sale financial assets	**3,979**	20,708
Transfer of fair value gains previously credited to reserve to income statement upon disposal of available-for-sale financial assets	**(8,754)**	(28,307)
	(4,775)	(7,599)
Total comprehensive income for the year	**(940,792)**	58,881
Attributable to:		
Owners of the Company	**(771,278)**	59,116
Non-controlling interests	**(169,514)**	(235)
	(940,792)	58,881

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	*12*	**140,422**	136,386
Property, plant and equipment	*12*	**8,260,356**	8,820,830
Investment properties	*12*	**6,990**	7,431
Intangible assets	*12*	**79,464**	8,673
Investment in an associate		**8,836**	–
Available-for-sale financial assets		**109,605**	121,243
Loan receivables	*17*	**400,000**	–
Prepayments, deposits and other receivables	*13*	**23,000**	33,000
Amount due from a related party		–	171,749
Deferred income tax assets		**377,949**	342,238
Total non-current assets		**9,406,622**	9,641,550
Current assets			
Properties under development and held for sale	*14*	**1,313,712**	1,317,963
Inventories	*15*	**2,494,024**	3,169,253
Trade receivables	*16*	**1,004,526**	961,342
Prepayments, deposits and other receivables	*13*	**1,395,156**	1,914,820
Amounts due from related parties		**5,828**	6,994
Prepaid current income tax		**38,128**	4,099
Loan receivables	*17*	–	290,000
Notes receivable – bank acceptance notes	*16*	**2,452,299**	3,909,346
Derivative financial instruments		**10,233**	–
Financial assets at fair value through profit or loss		**131,951**	–
Long-term bank deposits due within one year		–	52,000
Restricted bank balances		**1,773,697**	1,626,978
Cash and cash equivalents		**2,337,547**	849,063
Total current assets		**12,957,101**	14,101,858
Total assets		**22,363,723**	23,743,408
EQUITY			
Equity attributable to owners of the Company			
Share capital		**311,853**	311,853
Share premium		**2,192,131**	2,192,131
Other reserves		**1,670,302**	1,630,006
Retained earnings		**4,340,142**	5,123,067
		8,514,428	9,257,057
Non-controlling interests		**397,734**	514,789
Total equity		**8,912,162**	9,771,846

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**743,891**	1,510,519
Other long-term payables		**1,181,343**	26,129
Deferred revenue		**86,317**	59,284
Amounts due to related parties		**51,859**	247,119
Total non-current liabilities		**2,063,410**	1,843,051
Current liabilities			
Trade payables	*18*	**5,641,030**	2,719,253
Accruals, advances and other current liabilities		**2,846,169**	2,466,507
Amounts due to related parties		**83,044**	104,596
Current income tax liabilities		**102,795**	170,142
Derivative financial instruments		**3,616**	4,689
Other long-term payables – current portion		**48,441**	–
Borrowings		**2,658,484**	6,658,752
Dividends payable		**4,572**	4,572
Total current liabilities		**11,388,151**	12,128,511
Total liabilities		**13,451,561**	13,971,562
Total equity and liabilities		**22,363,723**	23,743,408

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 all applicable 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, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

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 2015:

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 13, 'Fair value measurement'.

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.

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 2015 but not currently relevant or do not have material impact to the Group (although they may affect the accounting for future transactions and events):

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014

(b) New and amended standards have been issued but are not effective for the financial year beginning after 1 January 2015 and have not been early adopted

		Effective for annual periods beginning on or after
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Amendment to HKFRS 10	Consolidated financial statements	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendment to HKFRS 12	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendment to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Separate financial statements	1 January 2016
Amendment to HKAS 28	Investments in associates	1 January 2016
Amendment to HKAS 38	Intangible assets	1 January 2016
Amendment to HKAS 41	Agriculture: bearer plants	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 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 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 will apply the new standards, amendments and interpretations described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and yet to assess the full impact on the Group's results of operations and financial position when they become effective.

(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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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 2015 and 2014 were as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Gross sales less discounts, returns and sales taxes		
– Strips and strip products	**6,896,144**	10,184,737
– H-section steel products	**6,651,590**	9,076,978
– Rebar	**3,279,491**	3,006,807
– Iron ore	**893,138**	2,045,054
– Cold rolled sheets and galvanised sheets	**1,126,699**	1,876,837
– Billets	**1,224,383**	1,672,317
– Real estate	**460,672**	238,928
– Steel pile sheet	**333,246**	135,202
– Others	**206,175**	258,638
	21,071,538	28,495,498

(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 2015		
	Iron and steel	**Real estate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**20,610,866**	**460,672**	**21,071,538**
Segment operating (loss)/profit	**(485,915)**	**18,828**	**(467,087)**
Finance (costs)/income – net	**(422,206)**	**370**	**(421,836)**
Share of result of an associate	**(745)**	**–**	**(745)**
Loss before income tax			**(889,668)**
Income tax expense			**(46,349)**
Loss for the year			**(936,017)**
Other income statement items			
Depreciation and amortisation	**1,095,965**	**2,092**	**1,098,057**
Impairment of property, plant and equipment	**521,019**	**–**	**521,019**
Capital expenditure	**980,688**	**133**	**980,821**

	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

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 due within one year, inventories, trade receivables, amounts due from related parties, notes receivable, restricted bank balances and cash and cash equivalents.

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

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

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

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

	Iron and steel	Real estate	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	21,891,949	1,546,903	(453,024)	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	1,316,474	(453,024)	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

4. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Employee benefit expense	**870,882**	918,266
Changes in inventories of finished goods and work in progress	**(245,669)**	(173,160)
Raw materials used	**17,463,429**	23,742,745
Cost of properties sold	**408,323**	188,114
Utilities	**1,083,028**	1,358,787
Depreciation of property, plant and equipment *(Note 12)*	**1,083,798**	1,090,556
Amortisation of intangible assets *(Note 12)*	**10,240**	108
Amortisation of leasehold land and land use rights *(Note 12)*	**3,578**	3,485
Depreciation of investment properties *(Note 12)*	**441**	441
Operating lease expenses in respect of land use rights	**2,592**	3,704
Provision for impairment of trade receivables *(Note 16)*	**4,186**	3,726
Impairment provision of prepayments, deposits and other receivables *(Note 13)*	**29,273**	15,500
Impairment provision of loan receivables *(Note 17)*	**–**	15,732
Provision for write-down of inventories to net realisable value *(Note 15)*	**105,373**	60,306
Auditors' remuneration		
– Audit services	**4,131**	5,400
– Non-audit services	**142**	140
Rental fee	**177,993**	144,695
Others	**255,354**	317,808
Total	**21,257,094**	27,696,353

5. OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Investment income from available-for-sale financial assets	**9,981**	–
Income from other operating leases	**9,838**	22,250
Rental income from investment properties	**2,616**	1,797
Others	**120**	2,305
Total	**22,555**	26,352

6. LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Investment gain from foreign currency forward contracts *(a)*	**4,292**	–
Investment losses from iron ore swap contracts *(b)*	**(215)**	(330,186)
Investment losses from rebar future contracts *(c)*	**(9,117)**	(2,970)
Total	**(5,040)**	(333,156)

(a) As at 31 December 2015, realised gains amounted to RMB 1.0 million and unrealised gains amounted to RMB 3.3 million were derived from foreign currency forward contracts. A derivative financial asset of RMB 3.3 million was recognised on balance sheet as at 31 December 2015 accordingly.

(b) As at 31 December 2015, realised losses amounted to RMB 6.8 million (2014: realised losses of RMB 330.2 million) and unrealised gains amounted to RMB 6.6 million were derived from iron ore swap contracts. A derivative financial asset of RMB 6.6 million was recognised on balance sheet as at 31 December 2015 accordingly.

(c) As at 31 December 2015, realised losses amounted to RMB 5.8 million (2014: realised gains of RMB 1.7 million), unrealised losses amounted to RMB 3.3 million (2014: unrealised losses of RMB 4.7 million) were derived from rebar future contracts. A derivative financial asset of RMB 0.3 million and a derivative financial liability of RMB 3.6 million were recognised on balance sheet as at 31 December 2015 accordingly.

7. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**106,622**	91,826
Gain on repurchase of Senior Notes	**105,677**	2,096
Reversal/(Provision) for legal claims	**61,278**	(7,746)
Gain on disposal of mining rights	**10,150**	–
Gain on disposal of available-for-sale financial assets	**8,754**	28,307
Investment income from financial assets at fair value through profit or loss	**1,195**	–
Gains/(Losses) on disposal of property, plant and equipment	**563**	(2,396)
(Losses)/Gains of raw materials and by-products	**(260)**	18,235
Other foreign exchange losses – net	**(68,718)**	(2,623)
Impairment of property, plant and equipment *(Note 12)*	**(521,019)**	(89,944)
Others, net	**(3,288)**	(657)
Total other (losses)/gains – net	**(299,046)**	37,098

8. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Interest expenses		
– borrowings	**(389,622)**	(460,211)
– amounts due to related parties	**(5,447)**	(21,671)
– discount of notes receivable	**(25,332)**	(506)
– finance lease liabilities	**(3,655)**	–
Net foreign exchange losses on borrowings	**(199,631)**	(18,022)
Finance costs	**(623,687)**	(500,410)
Less: amounts capitalised as qualifying assets	**79,722**	77,515
Total finance costs	**(543,965)**	(422,895)
Interest income		
– bank deposits	**48,446**	34,944
– trade receivables	**23,667**	27,821
– prepayments, deposits and other receivables	**28,630**	17,341
– amounts due from related parties	**–**	13,893
– loan receivables	**21,386**	44,537
Total finance income	**122,129**	138,536
Finance costs – net	**(421,836)**	(284,359)

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax (the "EIT")	**82,060**	234,944
Deferred income tax	**(35,711)**	(56,344)
	46,349	178,600

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 Company and the subsidiaries traded or incorporated in Hong Kong do not have assessable taxable profits during the year ended 31 December 2015 after utilising accumulated tax losses (2014: nil). The Directors are of opinion that the accumulated tax losses of the Company and the subsidiaries are unlikely to be utilised in the future. No deferred tax assets were recognised.

China Oriental Singapore Pte. Limited ("China Oriental Singapore") has been awarded the "Global Trader Programme" 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. 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% (2014: 25%).

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 29.58% (2014: 41.26%) to respective profits of the consolidated entities for the years ended 31 December 2015 and 2014 as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit before taxation	**(889,668)**	245,080
Taxation calculated at statutory tax rate	**(263,305)**	101,116
Tax losses for which no deferred income tax asset was recognised	**125,369**	60,353
Effect of change in the tax rate	**–**	(615)
Write-off of deferred income tax asset recognised in prior years	**186,946**	–
Withholding tax of interest and dividend income	**6,987**	5,321
Effect of non-taxable income	**(29,303)**	(11,547)
Effect of non-deductible expenses	**19,655**	23,972
	46,349	178,600

10. (LOSSES)/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	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit attributable to owners of the Company	**(766,503)**	66,715
Weighted average number of ordinary shares in issue *(thousands)*	**2,931,425**	2,931,425
Basic (losses)/earnings per share *(RMB per share)*	**(0.26)**	0.02

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit attributable to owners of the Company	**(766,503)**	66,715
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,931,425**	2,931,425
Adjustments for options *(thousands)*	**–**	–
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,931,425**	2,931,425
Diluted (losses)/earnings per share *(RMB per share)*	**(0.26)**	0.02

11. DIVIDENDS

At a meeting held on 31 March 2016, the Board did not recommend the payment of any final dividend in respect of the year ended 31 December 2015 (2014: 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 2015				
Opening carrying amount as at 1 January 2015	**136,386**	**8,820,830**	**7,431**	**8,673**
Additions	**–**	**980,398**	**–**	**81,031**
Transfer	**7,614**	**68,282**	**–**	**–**
Disposals	**–**	**(4,337)**	**–**	**–**
Depreciation and amortisation *(Note 4)*	**(3,578)**	**(1,083,798)**	**(441)**	**(10,240)**
Impairment *(Note 7)*	**–**	**(521,019)**	**–**	**–**
Closing carrying amount as at 31 December 2015	**140,422**	**8,260,356**	**6,990**	**79,464**
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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Non-current		
Prepayments for purchase of property, plant and equipment	**234,235**	234,235
Deposits and other receivables	**23,000**	33,000
Less: impairment provision *(Note 4)*	**(234,235)**	(234,235)
	23,000	33,000
Current		
Prepayments for purchase of inventories	**780,275**	1,058,033
Deposits and other receivables	**692,667**	697,731
Prepaid expenses	**8,497**	216,066
Less: impairment provision *(Note 4)*	**(86,283)**	(57,010)
	1,395,156	1,914,820
	1,418,156	1,947,820

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	
	2015	2014
	RMB'000	*RMB'000*
Properties under development comprise:		
– Construction costs	**459,017**	454,356
– Land use rights	**492,156**	656,869
– Interests capitalised	**92,225**	72,108
	1,043,398	1,183,333
Completed properties held for sale	**270,314**	134,630
	1,313,712	1,317,963

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	
	2015	2014
	RMB'000	*RMB'000*
Raw materials and materials in-transit	**1,652,243**	1,975,497
Work-in-progress	**171,445**	251,923
Finished goods	**670,336**	941,833
	2,494,024	3,169,253

As at 31 December 2015, inventories with a net book value of RMB 62 million (2014: RMB 112 million) were pledged as security for the Group's notes payable (Note 18), and no inventory (2014: RMB 17 million) were withheld by and in custody of a court.

The cost of inventories recognised in cost of sales for the year ended 31 December 2015 amounted to RMB 20,307 million (2014: RMB 26,940 million).

For the year ended 31 December 2015, the Group recognised a loss of RMB 105 million (2014: RMB 60 million), in respect of the write-down of inventories to net realisable values (Note 4).

16. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**614,405**	574,875
Long-term trade receivables – current position	**400,000**	400,000
Less: impairment provision for trade receivables *(Note 4)*	**(9,879)**	(13,533)
Trade receivables – net	**1,004,526**	961,342
Notes receivable	**2,452,299**	3,909,346
Total trade and notes receivables, net of provision	**3,456,825**	4,870,688

The long-term trade receivables – current portion represents the receivables for the provision of construction services in the previous years, and bear interest at a rate of 6.3% per annum. As at 31 December 2015, 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 2015, approximately RMB 582 million (2014: RMB 5 million) and RMB 844 million (2014: RMB 799 million) were pledged as security for the Group's notes payable (Note 18) and borrowings respectively.

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 2015 and 2014, the ageing analysis of the gross amount of trade and notes receivables was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**1,215,906**	3,350,567
4-6 months	**1,717,523**	1,066,262
7-12 months	**44,396**	53,859
Over 1 year	**488,879**	413,533
	3,466,704	4,884,221

As at 31 December 2015, trade receivables amounting to RMB 239 million (2014: RMB 151 million) were secured by letters of credit issued by third party customers and those amounting to RMB 479 million (2014: RMB 479 million) were secured by the pledge of property, plant and equipment of customers.

As at 31 December 2015, trade receivables of RMB 433 million (2014: RMB 498 million) were past due, of which amounting to RMB 10 million (2014: RMB 14 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	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**22,626**	84,578
Over 1 year	**409,879**	413,533
	432,505	498,111

17. LOAN RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Non-current		
Long-term loan receivable *(a)*	**400,000**	–
Current		
Loan receivables *(b)*	**57,000**	347,000
Less: impairment provision *(c) (Note 4)*	**(57,000)**	(57,000)
	–	290,000
Total loan receivables	**400,000**	290,000

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

(a) As at 31 December 2015, a loan receivable of RMB 400 million was secured by the pledge of certain property, plant and equipment of the borrower, bearing interest at a rate of 12% per annum and repayable in full in December 2017.

(b) As at 31 December 2014, an entrusted long-term receivable of RMB 290 million was secured by the pledge of certain property, plant and equipment of borrower, bore interest at a rate of 12% per annum and had been repaid in full in July 2015. The remaining balance amounting to RMB 57 million (2014: RMB 57 million) comprised various loans of individual amount ranging from RMB 7 million to RMB 20 million (2014: RMB 7 million to RMB 20 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% (2014: 19.8% to 24.0%) per annum.

(c) As at 31 December 2015, provisions amounting to RMB 57 million (2014: 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	
	2015	2014
	RMB'000	*RMB'000*
Account payables	**2,651,537**	1,916,982
Notes payable	**2,989,493**	802,271
	5,641,030	2,719,253

As at 31 December 2015, all notes payable represented bank acceptance notes, of which RMB 575 million (2014: RMB 5 million) were secured by certain notes receivable (Note 16), RMB 2,312 million (2014: RMB 628 million) were secured by certain restricted bank balances, and RMB 102 million (2014: RMB 169 million) were secured by certain inventories (Note 15) and certain restricted bank balances.

As at 31 December 2015 and 2014, the ageing analysis of the trade payables was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**3,319,454**	1,877,319
4-6 months	**1,921,146**	480,793
7-9 months	**125,444**	90,585
10-12 months	**48,059**	55,223
Over 1 year	**226,927**	215,333
	5,641,030	2,719,253

19. FINANCIAL GUARANTEE CONTRACTS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Guarantee for bank borrowings of third parties	**10,960**	12,960

As at 31 December 2015, Hebei Jinxi Iron and Steel Group Company Limited provided guarantee for bank borrowings in favour of a third party amounted to approximately RMB 11 million (2014: RMB 13 million). The fair value of the financial guarantee is 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	
	2015	2014
	RMB'000	*RMB'000*
Purchase of property, plant and equipment		
– Contracted but not provided for	**266,387**	412,844
– Authorised but not contracted for	**149,873**	171,123
	416,260	583,967

(b) Commitments to properties under development

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Purchase of properties under development	**291,524**	352,042

(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	
	2015	2014
	RMB'000	*RMB'000*
No later than one year	**10,188**	10,103
Later than one year and no later than five years	**31,732**	31,910
Later than five years	**112,889**	120,337
	154,809	162,350

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 2015 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 2015. 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

In 2015, due to the slowdown in the growth of domestic economy and the impact of real estate regulation and control in the Mainland China, the demand for steel products remained weak. With the over-capacity and the destocking problems which led to the continuous drop in the steel price, the domestic pressure on environmental protection, and the continuous decrease of the RMB exchange rate against USD since the reform in RMB exchange policy in August 2015, the steel companies in the Mainland China experienced tough challenges. This has created a price competition among the steel companies in the Mainland China. In addition, the protectionist trade policy of various countries also imposed great pressure to the steel companies on export business. As a result, the average selling price of self-manufactured steel products of the Group decreased by approximately 27.8% for the year ended 31 December 2015 as compared with last year, the impairment of certain properties, plants and equipment amounted to approximately RMB 521 million and the certain net exchange losses amounted to approximately RMB 268 million. Despite the difficult operation conditions in the steel industry, the Group response to challenges through developing and optimising products, adjusting product mix, production costs control and strengthening risk control, etc. Therefore, the Group recorded revenue of approximately RMB 21.1 billion for the year ended 31 December 2015, representing a decrease of approximately 26.1% as compared with last year. Loss attributable to owners of the Company was approximately RMB 767 million as compared with the profit of approximately RMB 67 million for last year.

With respect to the steel business, the Group continued to invest substantially to and endeavored to enhance the competitiveness and economic efficiency of its products. These efforts include improving production facilities to enhance efficiency, expanding sales channels, developing diverse and high-end products, increasing the share of products with high additional value and reducing emission. Apart from developing and optimising the new categories of the existing products such as strips and section steel, the Group has also developed products to suit for other countries such as the American standards, the British standards, the Spanish standards and the Singaporean standards so as to facilitate the penetration into international market. The Group has also been investing in its production facilities in order to reduce energy consumption in the steel production process and satisfy emission requirements. The self-generated electricity of the Group increased to approximately 50% in 2015 from approximately 40% in 2014. During the year ended 31 December 2015, the Group sold approximately 3.3 million tonnes of self-produced H-section steel products and continued to secure its leading position in the H-section steel market of Mainland China.

With respect to the real estate business, the Group was dedicated in promoting green structural development construction besides developing traditional real estate projects. The third phase of the Donghu Bay project in Tangshan City, Hebei Province of the Group is expected to be completed in 2016. The residential and basement projects of Xintiandi in Suzhou underwent roof sealing and were completed during the year. The commercial and office projects are expected to be completed in 2016. Moreover, the Meishu Hall project located in Suzhou is undergoing foundation construction, which is expected to be completed in 2016. The sale of the third phase of the Donghu Bay project, the residential and basement projects of Xintiandi in Suzhou, the commercial and office projects of Xintiandi in Suzhou and the Meishu Hall project commenced in 2015, which facilitated the stable development of the real estate business of the Group and brought sustainable income. For the year ended 31 December 2015, the Group recorded revenue and operating profit from real estate business of approximately RMB 461 million and RMB 19 million respectively.

During the year ended 31 December 2015, the revenue and gross loss arising from trading of steel products and iron ore of the Group were approximately RMB 1,358 million (2014: approximately RMB 3,105 million) and RMB 42 million (2014: gross profit approximately RMB 60 million) respectively.

The Group also engages in financing industry through its subsidiaries, Oriental Fullhero Leasing Co., Ltd. ("Fullhero Leasing"), Oriental Evertrust Finance Leasing Co., Ltd. ("Oriental Evertrust"), Tianjin Oriental Huitong Microcredit Co., Ltd. ("Oriental Huitong") and Beijing Jinxi Investment Holding Co., Ltd. ("Beijing Jinxi Investment"). The Group will conduct post-loan inspection to each existing project in order to reduce risks. As at 31 December 2015, Fullhero Leasing, Oriental Evertrust, Oriental Huitong and Beijing Jinxi Investment provided loans, net of provision, amounting to RMB 400 million to independent third parties at interest rates ranged from 12.0% to 24.0% per annum.

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

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

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

The Company was informed that the Plaintiffs and AM Holdings AG had reached an out of court settlement and the above Writ of Summons has been formally dismissed on 15 July 2015.

Business review

Sales analysis from sale of self-manufactured steel products

Sales Volume

In 2015, the total sales volume was 9,930,000 tonnes (2014: 9,371,000 tonnes), representing an increase of approximately 6.0%.

The sales volume breakdown during the year was as follows:

	2015 Sales volume *('000 tonnes)*		2014 Sales volume *('000 tonnes)*		Changes in Sales volume *Increase/ (Decrease)*
H-section steel products	**3,278**	**33.0%**	3,062	32.7%	7.1%
Strips and strip products	**3,952**	**39.8%**	4,025	42.9%	(1.8%)
Billets	**638**	**6.4%**	668	7.1%	(4.5%)
Cold rolled sheets and galvanised sheets	**398**	**4.0%**	503	5.4%	(20.9%)
Rebar	**1,545**	**15.6%**	1,074	11.5%	43.9%
Steel pile sheet	**119**	**1.2%**	39	0.4%	205.1%
Total	**9,930**	**100%**	9,371	100%	6.0%

During the year of 2015, the Group's production capacity is 11 million tonnes per annum.

Revenue

Revenue in 2015 was RMB 19,046 million (2014: RMB 24,894 million), representing a decrease of approximately 23.5%.

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

	2015		2014		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	**6,534**	**1,994**	8,480	2,769	(22.9%)	(28.0%)
Strips and strip products	**6,896**	**1,745**	10,184	2,530	(32.3%)	(31.0%)
Billets	**1,121**	**1,757**	1,563	2,341	(28.3%)	(24.9%)
Cold rolled sheets and galvanised sheets	**1,127**	**2,826**	1,877	3,734	(40.0%)	(24.3%)
Rebar	**3,035**	**1,965**	2,655	2,472	14.3%	(20.5%)
Steel pile sheet	**333**	**2,794**	135	3,512	146.7%	(20.4%)
Total/combined	**19,046**	**1,918**	24,894	2,657	(23.5%)	(27.8%)

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 27.8% to RMB 1,918 per tonne in 2015 from RMB 2,657 per tonne in 2014.

Cost of Sales and Gross Profit

The consolidated gross profit in 2015 was RMB 328 million (2014: RMB 1,228 million), representing a decrease of approximately 73.3%.

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

	2015			2014		
	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	**1,930**	**64**	**3.2%**	2,595	174	6.3%
Strips and strip products	**1,695**	**50**	**2.9%**	2,363	167	6.6%
Billets	**1,892**	**(135)**	**(7.7%)**	2,331	10	0.4%
Cold rolled sheets and galvanised sheets	**3,022**	**(196)**	**(6.9%)**	3,858	(124)	(3.3%)
Rebar	**1,924**	**41**	**2.1%**	2,407	65	2.6%
Steel pile sheet	**2,612**	**182**	**6.5%**	3,332	180	5.1%
Total	**1,885**	**33**	**1.7%**	2,526	131	4.9%

In 2015, gross profit per tonne of the Group's products decreased to RMB 33 from RMB 131 in 2014, reflecting a decrease of 74.8%. In 2015, gross profit margin decreased to 1.7% from 4.9% in 2014. The decrease in gross profit margin was primarily due to the magnitude of decrease in the average selling price of the steel products of the Group was higher than the magnitude of the decrease in the iron ore price, one of the major raw materials for production of steel products, in 2015.

Property Development

In 2015, the Group had completed GFA of 39,691 m². The status of the completed GFA by project is set out as follow:

No.	**City**	**Property project**	**Phase of project**	**Total GFA** *(m²)*
1	Suzhou	Xintiandi	Residential and basement	39,691

For the year ended 31 December 2015, the revenue from real estate business of the Group amounted to approximately RMB 461 million. The GFA of properties delivered was 51,880 m². The average selling price of properties delivered was approximately RMB 8,900 per m².

As at 31 December 2015, the Group had the following projects under construction with a GFA of approximately 233,000 m^2:

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

The above projects are expected to be completed during 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 2015, the Group had unutilised banking facilities of approximately RMB 7.4 billion (2014: RMB 7.3 billion).

As at 31 December 2015, the current ratio of the Group, representing current assets divided by current liabilities, was 1.1 (2014: 1.2) and the gearing ratio, representing total liabilities divided by total assets, was 60.1% (2014: 58.8%).

As at 31 December 2015, the cash and cash equivalents of the Group amounted to approximately RMB 2,338 million (2014: approximately RMB 849 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 year ended 31 December 2015, the Company repurchased a total of US$160,190,000 and US$96,217,000 in principal amount of the 2015 Senior Notes and the 2017 Senior Notes respectively. The 2015 Senior Notes was matured and fully repaid by the Company on 18 August 2015. As at 31 December 2015, the outstanding principal amount of the 2017 Senior Notes was US$111,368,000.

As at 31 December 2015, borrowings of RMB 2,196 million of the Group bore fixed interest rates ranged from 1.4% to 7.7% per annum and borrowings of RMB 1,206 million of the Group bore floating rates ranged from 3.4% to 6.6% per annum. The Group's exposure to changes in market interest rates was considered to be limited. The Group did not use any derivatives to hedge its exposure to interest rate risk for the year ended 31 December 2015 and 2014.

The Group monitors its capital on the basis of the debt-to-capital ratio. This ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings, other long-term payables and borrowings from related parties. The Group regards its non-current borrowings, non-current portion of other long-term payables, non-current portion of borrowings from related parties and its equity attributable to owners of the Company as its total capital. As at 31 December 2015, the debt-to-capital ratio of the Group was 45.4% (2014: 77.3%).

The consolidated interest expenses and capitalised interest in 2015 amounted to RMB 424 million (2014: RMB 482 million). The interest coverage (divide (loss)/profit for the year before finance cost – net and income tax expense by total interest expenses) was negative 1.1 times (2014: positive 1.1 times).

Commitments

As at 31 December 2015, the Group had total commitments of RMB 863 million (2014: RMB 1,098 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 2015, the Group's contingent liabilities amounted to approximately RMB 11 million (2014: RMB 13 million), which was the provision of guarantee for bank borrowings in favor of a third party.

Pledge of Assets

As at 31 December 2015, the net book value of the Group's inventories amounting to approximately RMB 62 million (2014: approximately RMB 112 million), notes receivable amounting to approximately RMB 1,426 million (2014: approximately RMB 804 million) and restricted bank balances amounting to approximately RMB 1,774 million (2014: approximately RMB 1,625 million) had been pledged as security for the Group's notes payable issuing, banking borrowings and letter of credit issuing.

As at 31 December 2015, none of the Group's inventories (2014: RMB 17 million), notes receivable (2014: RMB 10 million) and restricted bank balances (2014: RMB 2 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 fluctuate in reaction to the macro-economic performance of different countries and fund flows between countries arising from trade or capital commitments. In view of the continuous decrease of the RMB exchange rate against USD since the reform in RMB exchange policy in 2015, during the year ended 31 December 2015, the Group has entered into certain foreign currency forward contracts so as to reduce the impact of the volatility of the RMB exchange rate against USD. The Group also reviewed and rearranged its monetary assets to mitigate the impact from the change of RMB to USD exchange rate.

Iron Ore Swaps

In view of the continuous decreasing trend of iron ore price in 2015, the Group has been cautious in entering into iron ore swap contracts so as to reduce the potential negative impact of the iron ore swap contracts.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2015.

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.

On 25 January 2016, the Company commenced the offer to repurchase for cash and consent solicitation relating to any and all of its outstanding 2017 Senior Notes.

The offer expired on 22 February 2016. A principal amount of US$32,212,000 of the 2017 Senior Notes had been repurchased and cancelled by the Company. Consents from holders with respect to principal amount of US$68,107,000 of the 2017 Senior Notes had been obtained. As such, the Company entered into a supplemental indenture embodying the proposed amendments ("Supplemental Indenture") on 24 February 2016 and the Supplemental Indenture becomes effective on 26 February 2016.

Following the completion of the repurchase, the outstanding aggregate principal amount of the 2017 Senior Notes is US$79,156,000.

Accreditation for the Company and its Management

For the year ended 31 December 2015, Hebei Jinxi Iron and Steel Group Company Limited, a subsidiary of the Company is awarded the "12th Five-Year Advanced Energy-Saving Enterprise", the "National Outstanding Contributor to Air Pollution Abatement", "The Most Influential Enterprise with Potential Growth" and so on, and awarded the "Recognition Award of the 2nd Session of the Hebei Industrial Award". Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Company Limited, another subsidiary of the Company, was named by China Association of Small and Medium Enterprises as the "Outstanding Innovative Enterprise of China SMEs".

Human Resources and Remuneration Policies

As at 31 December 2015, the Group had a workforce of approximately 11,700 and temporary staff of approximately 2,400. 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 in 2016, the prices of steel and iron ore will remain at the current level as the prices has dropped to a considerably low level by the end of 2015 which are unlikely to further decrease. With the Chinese government's regulation policy of the steel industry and the slowdown in the growth of the overall economy, there will be no material change in the market and business environment of steel industry in the Mainland China. The overall steel industry will still face tough challenges. On the other hand, while the Chinese government is actively promoting the concept of "The Belt and Road", certain prices of steel products have showed a sign of increase in the beginning of 2016. The Group also reduced its inventory to a low level in 2015, reviewed and rearranged its monetary assets to mitigate the impact from the change of RMB to USD exchange rate and expected to have sufficient impairment provisions been made for relevant properties, plants and equipment during 2015. It is expected that these factors which had a significant impact on the financial performance in 2015 would not likely to have a material impact to the financial performance in 2016. Under such backdrop, the Group commences the "year of management" activities in order to maintain its competitiveness by continuous improvement in production efficiency, developing and increasing the number of high value-added products, reducing production cost, cutting down inventory, expanding market share, changing distribution channel and optimising the utilisation of internal resources.

In 2016, the Group will continue to focus on the development of certain high-end steel products including high-strength and high and low temperature repercussive H-section steel products, to fully develop products which suit standards of other countries including the American standards, the British standards, the European standards and the Russian standards, to consistently improve the quality and passing rate of products, to increase the market share of high value-added products and to further optimise production costs including the proportion of self-generated electricity, this will enhance the core competitiveness of the Group. In addition, the Group will adopt a new distribution model by increasing the proportion of direct sales to 20% for H-section steel products, setting up more direct sales office for section steel and developing international market with electronic commercial platform to construct an international sales network. The Group will continue to keep an eye on state projects which will consume large volume of steel, collect more information about market shortages and product information to guide its new product development. In addition, it will strengthen the control of operating risks and monitoring the production procedure to enhance the function of risk control department, to improve the risk resistance capacity of the Group and to maintain a stable operation.

Since its listing in 2004, the Group has continued to expand its business, diversify its steel product categories and business portfolio. During the last twelve years (since being listed), the Group's overall crude steel production capacity has reached 11.0 million tonnes per annum from 3.1 million tonnes per annum at the time of the listing. The steel products include H-section steel products, steel pile sheet products, strips and strip products, billets, cold rolled sheets and galvanised sheets and rebar. The Group is constantly developing products of different series and specifications to meet market needs. Moreover, the H-section steel products of the Group maintain its 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 its property and other businesses. 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$160,190,000 and US$96,217,000 of the 2015 Senior Notes and the 2017 Senior Notes respectively, 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 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules on The Stock Exchange throughout the year ended 31 December 2015, 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 2015.

AUDIT COMMITTEE

During the year ended 31 December 2015, 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 2015 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 will be made in the 2015 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 Friday, 27 May 2016 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 Wednesday, 25 May 2016 to Friday, 27 May 2016 (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 forthcoming annual general meeting. The record date for the annual general meeting shall be 27 May 2016. 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 Tuesday, 24 May 2016.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR 2015

The annual results announcement of the Company for the year ended 31 December 2015 is published on both the websites of the Company (www.chinaorientalgroup.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2015 will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

PUBLIC FLOAT

Trading in the shares of the Company had been suspended from 29 April 2014 when the public float of the Company fell below 25%. The Stock Exchange indicated that the Company is required to suspend trading in the shares of the Company until the minimum public float is restored. 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, 18 March 2015, 16 April 2015, 15 May 2015, 29 May 2015, 15 June 2015, 17 July 2015, 14 August 2015, 14 September 2015, 6 October 2015, 6 November 2015, 7 December 2015, 7 January 2016, 5 February 2016 and 4 March 2016.

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 its staff for their hard work and dedication to the Group, and to its shareholders for their continuous support and trust in the Company.

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

Hong Kong, 31 March 2016

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