



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 2009 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	2009	2008	Change
	RMB	RMB	
Sales volume (tonnes)	6.9 million	4.5 million	+53%
Gross profit per tonne	289 yuan	114 yuan	+154%
Revenue	20.6 billion	19.4 billion	+6%
Gross profit	2,006 million	517 million	+288%
Profit before tax and share option fair value	1,324 million	114 million	+1,061%
EBITDA ¹	2,263 million	754 million	+200%
Profit attributable to equity holders of the Company	884 million	44 million	+1,909%
Profit for the year	972 million	43 million	+2,160%
Net cash inflow generated from operating activities	252 million	148 million	+70%
Basic EPS	0.30 yuan	0.02 yuan	+1,400%
NAV per share	2.45 yuan	2.14 yuan	+14%
Annual dividends per share	8.6 HKcents	6.5 HKcents	32%

¹ The Company defines EBITDA as profit for the year before taxation, finance costs, finance income, depreciation and amortization of leasehold land and land use right.

* For identification purpose only

The Board of Directors (the “Board”) of China Oriental Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 together with the comparative amounts for the previous year. The annual results have been reviewed by the audit committee of the Company as follows:

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December

	<i>Note</i>	Audited 2009 RMB'000	Audited 2008 RMB'000
Revenue	3	20,589,138	19,388,183
Cost of sales	4	(18,582,768)	(18,870,988)
Gross profit		2,006,370	517,195
Other income	5	36,817	35,639
Distribution costs	4	(56,997)	(80,319)
Administrative expenses	4	(283,534)	(281,942)
Other expenses	4	(206,823)	(10,228)
Other losses – net	6	(80,545)	(1,364)
Operating profit		1,415,288	178,981
Finance income	7	35,414	24,249
Finance costs	7	(137,145)	(91,627)
Finance costs – net		(101,731)	(67,378)
Share of profit of an associate		177	1,998
Profit before income tax		1,313,734	113,601
Income tax expense	8	(341,293)	(70,643)
Profit for the year		972,441	42,958
Profit attributable to:			
Equity holders of the Company		884,323	44,032
Minority interest		88,118	(1,074)
		972,441	42,958
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	9	RMB 0.30	RMB 0.02
– Diluted earnings per share	9	RMB 0.30	RMB 0.02
Dividends	10	221,834	167,088

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

	<i>Note</i>	Audited 2009 RMB'000	Audited 2008 RMB'000
Profit for the year		972,441	42,958
Other comprehensive income:			
Fair value gains on available-for-sale financial assets		<u>8,453</u>	<u>—</u>
Total comprehensive income for the year		<u>980,894</u>	<u>42,958</u>
Attributable to:			
Equity holders of the Company		<u>892,776</u>	44,032
Minority interest		<u>88,118</u>	<u>(1,074)</u>
		<u>980,894</u>	<u>42,958</u>

CONSOLIDATED BALANCE SHEET

As at 31 December

	<i>Note</i>	Audited 2009 RMB'000	Audited 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,625,585	8,286,788
Leasehold land and land use rights		73,139	74,790
Investment properties		17,595	18,400
Intangible assets		–	7,667
Investment in an associate		10,297	10,120
Loan receivable		–	130,000
Available-for-sale financial assets		–	188,100
Deferred income tax assets		81,007	7,461
		8,807,623	8,723,326
Current assets			
Available-for-sale financial assets		96,148	–
Inventories		2,598,021	1,567,437
Trade receivables	<i>11</i>	1,197,067	1,733,991
Other current assets		14,191	9,894
Prepayments, deposits and other receivables		1,125,231	731,570
Financial assets at fair value through profit or loss		144	140
Amounts due from related parties		364,196	14,620
Prepaid current income tax		–	264,555
Restricted bank balances		342,486	361,698
Cash and cash equivalents		644,030	728,826
		6,381,514	5,412,731
Total assets		15,189,137	14,136,057
EQUITY			
Equity attributable to owners of parent			
Ordinary shares		311,669	311,669
Share premium		2,189,695	2,189,695
Other reserves		1,192,190	1,144,963
Retained earnings		3,475,204	2,618,902
		7,168,758	6,265,229
Minority interest		291,992	224,711
Total equity		7,460,750	6,489,940

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 31 December*

		Audited 2009 RMB'000	Audited 2008 RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		758,857	489,230
Other long term payables		570,163	847,934
Deferred revenue		41,256	62,756
Amounts due to related parties		37,404	65,055
		<u>1,407,680</u>	<u>1,464,975</u>
Current liabilities			
Trade payables	12	1,725,762	2,219,395
Accruals, advances from customers and other current liabilities		2,255,423	2,034,745
Amounts due to related parties		269,218	207,013
Current income tax liabilities		136,532	–
Other long term payables – current portion		134,432	19,888
Borrowings		1,796,481	1,697,230
Dividends payable		2,859	2,871
		<u>6,320,707</u>	<u>6,181,142</u>
Total liabilities		<u><u>7,728,387</u></u>	<u><u>7,646,117</u></u>
Total equity and liabilities		<u><u>15,189,137</u></u>	<u><u>14,136,057</u></u>
Net current assets/(liabilities)		<u><u>60,807</u></u>	<u><u>(768,411)</u></u>
Total assets less current liabilities		<u><u>8,868,430</u></u>	<u><u>7,954,915</u></u>

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 (the “Reorganisation”).

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

Following the completion of the global offering, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited on 2 March 2004.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is mainly engaged in the manufacture and sales of iron and steel products. The Group has manufacturing plants in Hebei Province and Guangdong Province of the People’s Republic of China (the “PRC”) and sells mainly to customers located in the PRC.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss.

The preparation of 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 Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKFRS 7, ‘Financial Instruments – Disclosures’ (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on operating results, financial position or comprehensive income of the Group.
- HKAS 1 (revised), ‘Presentation of financial statements’ – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The consolidated financial statements have been compiled as required by the revised standard retrospectively.
- HKFRS 2 (amendment), ‘Share-based payment’ (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services;

they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and the Company has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKAS 23 (revised), 'Borrowing costs' – effective from 1 January 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. As the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23, there is no impact on operating results, financial position or comprehensive income of the Group.
- HKFRS 8, 'Operating segments' – effective 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has adopted HKFRS 8 since 1 January 2009, which did not result in any increase in the number of reportable segments. The segments applied in the previous consolidated financial statements were consistent with the internal reporting provided to the chief operating decision-maker.
- The standards, amendments and interpretations noted below had no impact on the Group's operating results, financial position or comprehensive income.

HKFRS 1 and HKAS 27 Amendment	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKAS 32 Amendment and HKAS 1 Amendment	Puttable Financial Instruments and Obligations Arising on Liquidation
HK (IFRIC) 13	Customer Loyalty Programmes
HK (IFRIC) 15	Agreements for the Construction of Real Estate
HK (IFRIC) 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) 18	Transfers of Assets from Customers (applied for transfers of assets after 1 July 2009)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

		Effective date
HKAS 24 Revised	Related Party Disclosures	1 January 2011
HKAS 27 Revised	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 Amendment	Classification of rights issues	1 February 2010
HKAS 39	Financial Instruments: Recognition and Measurement – Amendments for Eligible hedged items	1 July 2009
HKFRS 1 Amendment	Presentation of Financial Statements	1 January 2010
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 revised	Business Combinations	1 July 2009
HKFRS 9	Financial Instruments: Classification and measurement	1 January 2013
HK (IFRIC) 14	Prepayments of a Minimum Funding Requirement	1 January 2011
HK (IFRIC) 17	Distribution of Non-Cash Assets to Owners	1 July 2009
HK (IFRIC) 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

- HKAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

Except for the application of HKAS 27 (revised), amendments and interpretations as mentioned above is not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(c) Improvements to HKFRS

In addition, "Improvements to HKFRS" were issued in October 2008 and May 2009 respectively, containing numerous technical and conforming amendments to HKFRS, which the HKICPA consider non-urgent but necessary. "Improvements to HKFRS" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual HKFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010. No material changes to accounting policies were made in 2009 or are expected in 2010 as a result of these amendments. These amendments that are relevant to the Group include:

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current

(provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or the Company's financial statements.

- HKAS 36, 'Impairment of Assets' (effective from 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of HKFRS 8). The amendment will not result in a material impact on the Group's or the Company's financial statements.
- HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or the Company's financial statements.

3. SALES AND SEGMENT INFORMATION

(a) Sales

The Group is principally engaged in the manufacture and sales of iron and steel products. Sales recognised for the years ended 31 December 2009 and 2008 are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Sales:		
Gross sales, less discounts and returns		
– billets	3,629,525	3,990,747
– strips and strip products	8,407,665	8,574,492
– H section steel products	7,408,692	5,672,508
– galvanised sheets	588,052	708,746
– cold rolled sheets	555,166	612,100
– others	13,080	14,633
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	20,602,180	19,573,226
Less: Sales taxes	(13,042)	(185,043)
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	20,589,138	19,388,183
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(b) Segment information

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

Based on these reports, the decision-maker has determined that no business segment information is presented as over 90% of the Group's sales and operating profits are derived from the sales of iron and steel products, which is considered as one business segment with similar risks and returns.

The decision-maker has also determined that no geographical segment information is presented as over 90% of the Group's sales and operating profits are derived within the PRC and over 90% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

4. EXPENSES BY NATURE

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expense	471,838	340,299
Costs of inventories	16,109,681	17,353,385
Amortisation of leasehold land and land use rights	1,651	1,651
Depreciation of property, plant and equipment	845,051	570,936
Depreciation of investment properties	805	928
Operating lease expenses in respect of land use rights	9,221	9,178
Impairment provision for other receivables	21,305	–
(Reversal of)/write-down of inventories to their net realisable value	(45,511)	45,511
Provision for impairment of available-for-sale financial assets	188,100	–
Auditors' remuneration	3,500	5,800
	=====	=====

5. OTHER INCOME

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend income from financial assets at fair value through profit or loss	1	11
Rental income arising from investment properties	1,865	1,775
Income from operating leases	32,000	31,300
Others	2,951	2,553
	=====	=====
Total	36,817	35,639
	=====	=====

6. OTHER LOSSES-NET

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Other losses – net:		
Sales of raw materials and by-products	20,046	20,439
Provision for impairment of property, plant and equipment	(64,788)	–
Provision for impairment of goodwill	(7,667)	–
Loss on disposal of property, plant and equipment	(820)	(276)
Tax expenses for inter-company transfer of property, plant and equipment	(25,613)	–
Charitable donation	(2,505)	(5,114)
Foreign exchange loss, net	(3,608)	(17,297)
Others	4,410	884
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Total	(80,545)	(1,364)

7. FINANCE INCOME AND COSTS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Interest expenses		
– borrowings	(74,038)	(61,822)
– discount of notes receivable	(3,846)	(463)
– finance lease liabilities	(59,517)	(30,101)
Net foreign exchange gains on borrowings	256	759
	<hr/>	<hr/>
Finance costs	(137,145)	(91,627)
	<hr/>	<hr/>
Interest income on bank deposits	9,800	15,519
Interest from loans to a third party	18,476	–
Income from loan receivable	7,138	8,730
	<hr/>	<hr/>
Finance income	35,414	24,249
	<hr/>	<hr/>
Finance costs, net	(101,731)	(67,378)

8. INCOME TAX EXPENSE

(a) Income tax expense represents:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current income tax		
– PRC enterprise income tax (the “EIT”)	414,839	74,910
Deferred income tax	(73,546)	(4,267)
	<u>341,293</u>	<u>70,643</u>

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, except Jinxi Hong Kong Trading Company Limited, were incorporated in BVI with limited liability under the International Business Companies Act Chapter 291 and, accordingly, are exempted from payment of BVI income tax.

Hong Kong profits tax has been provided based on the statutory profit of subsidiaries incorporated or traded in Hong Kong in accordance with the HK tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for profit tax purpose (2008: nil).

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.

Effective from 1 January 2008, the subsidiaries incorporated in the PRC are required to determine and pay the EIT in accordance with the Corporate Income Tax Law of the People’s Republic of China (the “new EIT Law”) as approved by the National People’s Congress on 16 March 2007 and the Detailed Implementation Regulations of the Corporate Income Tax Law (the “DIR”) as approved by the State Council on 6 December 2007. In accordance with the new EIT Law and DIR, the EIT rate applicable to the subsidiaries incorporated in the PRC will be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a 5-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%. The preferential policy of exemption or deduction shall be effective from 1 January 2008, even if the subsidiaries were still in a cumulative tax loss position.

Foshan Jin Xi Jin Lan Cold Rolled Sheet Company Limited (“Jinxi Jinlan”) qualified as a foreign investment production enterprise and was established in a coastal economic development zone. Approved by local tax authority on 14 December 2007, Jinxi Jinlan was entitled to a two-year full exemption followed by a three-year 50% tax deduction, commencing from 1 January 2008. As at 31 December 2009, the effective rate of Jinxi Jinlan was nil (2008: nil).

Oriental Fullhero Leasing Co., Ltd (“Shenzhen Leasing”) qualified as a service industry enterprise and was established in a special economic zone. Approved by local tax authority on 14 September 2008, Shenzhen Leasing was entitled to a one-year full exemption followed by a two-year 50% tax deduction effective from 1 January 2008. Accordingly, the effective tax rate for the year ended 31 December 2009 was 10% (2008: nil).

- (b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate of 23.88% (2008: 22.39%) to respective profits of the consolidated entities for the years ended 31 December 2009 and 2008 as follows:

	2009 RMB'000	2008 <i>RMB'000</i>
Profit before taxation	1,313,734	113,601
Taxation calculated at statutory tax rate	322,520	23,651
Effect of tax exemption of subsidiaries	(6,356)	(2,577)
Tax losses for which no deferred income tax asset was recognised	24,680	8,251
Utilisation of previously unrecognised tax losses	(14,936)	(1,686)
Effect of other non-taxable income	(44)	(499)
Effect of non-deductible expenses	15,429	43,503
	341,293	70,643

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009 RMB'000	2008 <i>RMB'000</i>
Profit attributable to equity holders of the Company	884,323	44,032
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,929,200	2,929,187
Basic earnings per share (<i>RMB per share</i>)	0.30	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.

	2009	2008
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	884,323	44,032
Weighted average number of ordinary shares in issue used in calculating basic earnings per share (<i>thousands</i>)	2,929,200	2,929,187
Adjustments for options (<i>thousands</i>)	7,052	–
	<hr/>	<hr/>
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share (<i>thousands</i>)	2,936,252	2,929,187
Diluted earnings per share (<i>RMB per share</i>)	0.30	0.02
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10. DIVIDENDS

	2009	2008
	RMB'000	RMB'000
Interim, paid (<i>a, b</i>)	–	167,088
Final, proposed (<i>c, d</i>)	221,834	–
	<hr/>	<hr/>
	221,834	167,088
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- (a) At a meeting held on 27 March 2008, the Board proposed a final dividend in respect of the year ended 31 December 2007 of HK\$ 181.61 million (approximately RMB 164.36 million), representing HK\$ 0.062 per ordinary share. The Annual General Meeting held on 15 May 2008 approved the Board's dividend proposal. Such final dividend was paid for the year ended 31 December 2008.
- (b) At a meeting held on 18 August 2008, the Board proposed an interim dividend of HK\$ 190.14 million (approximately RMB 167.09 million), representing HK\$ 0.065 per ordinary share, for the six months ended 30 June 2008. Such interim dividend was paid for the year ended 31 December 2008.
- (c) The Board does not recommend the payment of final dividend for the year ended 31 December 2008.
- (d) At a meeting held on 23 March 2010, the Board proposed a final dividend in respect of the year ended 31 December 2009 of HK\$ 251.94 million (approximately RMB 221.83 million), representing HK\$ 0.086 per ordinary share.

11. TRADE RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Accounts receivable	118,105	29,897
Notes receivable (a)	1,078,962	1,704,094
	<u>1,197,067</u>	<u>1,733,991</u>

(a) As at 31 December 2009 and 2008, the notes receivable were all bank acceptance notes, of which approximately RMB 102 million were pledged as security for issuing notes payable (2008: RMB 10 million).

As at 31 December 2008, notes receivable of RMB 241 million were pledged as security for the Group's borrowings.

As at 31 December 2009 and 2008, the carrying amount of the Group's trade receivables approximated their fair value.

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 2009 and 2008, the ageing analysis of trade receivables was as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 3 months	1,004,990	1,517,847
4-6 months	192,077	216,144
	<u>1,197,067</u>	<u>1,733,991</u>

As at 31 December 2009, accounts receivable pledged by letters of credit issued by the third parties amounted to approximately RMB 43 million (2008: RMB 0.3 million).

As at 31 December 2009, trade receivables of RMB 75 million (2008: RMB 30 million) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The directors considered that trade receivables that are less than three months past due are not impaired. The ageing analysis of these trade receivables was as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 3 months	<u>75,050</u>	<u>29,618</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
RMB	1,117,898	1,733,712
US\$	79,169	279
	<u>1,197,067</u>	<u>1,733,991</u>

12. TRADE PAYABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Accounts payable	1,360,498	1,936,407
Notes payable (a)	365,264	282,988
	<u>1,725,762</u>	<u>2,219,395</u>

- (a) As at 31 December 2009, all notes payable represented bank acceptance notes, of which RMB 102 million (2008: RMB 10 million) were secured by certain notes receivable, RMB 205 million (2008: RMB 203 million) were secured by certain restricted bank balances, and RMB 59 million (2008: RMB 70 million) were secured by certain inventories and certain restricted bank balances.

As at 31 December 2009 and 2008, the ageing analysis of the trade payables was as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 3 months	1,441,589	1,596,939
4-6 months	202,471	586,530
7-9 months	73,028	22,951
10-12months	1,062	2,473
Above 1 year	7,612	10,502
	<u>1,725,762</u>	<u>2,219,395</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
RMB	1,509,337	2,153,086
US\$	216,425	66,309
	<u>1,725,762</u>	<u>2,219,395</u>

13. FINANCIAL GUARANTEE CONTRACTS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Guarantee for bank borrowings of third parties	30,000	60,900

As at 31 December 2009, Hebei Jinxi Iron and Steel Group Company Limited (“Jinxi Limited”) (original Hebei Jinxi Iron and Steel Company Limited) provided guarantee for bank borrowings in favour of third parties amounting to RMB 30.0 million (2008: RMB 60.9 million). The fair values of these financial guarantee contracts are not significant.

The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

14. COMMITMENTS

(a) Capital Commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Purchase of intangible assets		
– Contracted but not provided for	–	2,000
Purchase of property, plant and equipment		
– Contracted but not provided for	1,936,442	2,088,203
– Authorised but not contracted for	1,013,127	1,209,707
	2,949,569	3,297,910

At a meeting held on 23 March 2010, the directors of Jinxi Limited have resolved to terminate the rolled sheet project and the capital commitment authorised but not contracted of approximately 765 million would be released.

(b) Operating Lease Commitments

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
No later than one year	54,612	77,458
Later than one year and no later than five years	179,208	28,144
Later than five years	178,714	142,777
	412,534	248,379

15. SUBSEQUENT EVENTS

Saved as disclosed elsewhere in the announcement, the significant subsequent events of the Group were as follows:

- (i) Pursuant to a land use right transfer agreement dated 5 January 2010, Hebei Jinxi Boyuan Real Estate Company Limited, an indirect non-wholly owned subsidiary of the Company, acquired a land use right in Qianxi County from the local Bureau of Land and Resources, at a cash consideration of approximately RMB 193 million. The useful life of the land use right is 40 to 70 years, depending on the future usage of the land.
- (ii) Pursuant to a capital contribution agreement dated 10 March 2010, Jinxi Limited, Qianxi County Hui Yin Trading Company Limited (“Hui Yin”), Qianxi County Longba Charging Company Limited (“Longba Charging”) existing shareholders agreed to reorganise Longba Charging into a joint venture company by introducing new capital contribution of RMB 14,673,913 and RMB 2,934,783 from Jinxi Limited and Hui Yin respectively, and further capital contribution of RMB 9,000,000 from Longba Charging’s existing shareholders. Upon completion of the capital contribution, Jinxi Limited, Hui Yin and Longba Charging’s existing shareholders will respectively own 45%, 9% and 46% in Longba Charging.
- (iii) The Directors have resolved to recommend a final dividend of HK\$ 0.086 per ordinary share for the financial year ended 31 December 2009 to be payable on or round 30 June 2010 to the Company’s shareholders whose names appear on the register of members of the Company on 21 April 2010 subject to the approval of the Company’s shareholders at the forthcoming annual general meeting on 7 May 2010.
- (iv) Settlement of litigations:

Reference is made to the announcement of the Company dated 20 August 2007 (the “Announcement”) and the circular of the Company dated 12 October 2007 (the “Circular”) related to the following litigations. Unless the context otherwise requires, capitalised terms used in the Announcement have the same meanings as defined in the Announcement and the Circular.

- (a) On 20 August 2007, the Company and Jinxi Limited (collectively called the “Plaintiff”) filed a Writ of Summons and a statement of claim against Ms. Chen Ningning (“Ms. Chen”), Pioneer Metals Company Limited (“PMC (HK)”) and Pioneer Metals Holdings Limited (“PMC (BVI)”) (collectively called the “Defendant”) in the High Court of Hong Kong for (1) breach of contract by Ms. Chen, PMC (HK) and PMC (BVI); and (2) non-disclosure of Ms. Chen’s interest in Long King and breach of fiduciary duties by Ms. Chen; and
- (b) On 30 August 2007, Smart Triumph Corporation (the “Plaintiff”) served a notice of requisition on the Company, requiring the Company (the “Defendant”) to convene a special general meeting to consider, among other things, a motion to remove all the Directors, pursuant to the relevant requirements under Bermuda Law.

The parties to the above proceedings had reached settlements. On 4th February 2010, the High Court of Hong Kong issued a Consent Orders for the aforesaid litigations. Upon the Plaintiffs and the Defendants agreeing to the terms of the Consent Orders, the High Court ordered that the Plaintiffs’ action against the Defendants in the aforesaid litigations was wholly discontinued.

MANAGEMENT DISCUSSION AND ANALYSIS

When the global economy was still under the shadow of the financial tsunami in the first half year of 2009, the PRC economy had already begun to show signs of recovery in the second quarter, as the government's stimulus package to boost domestic demand took effect. With the gradual implementation of the State's RMB 4 trillion investment plan, construction of many large-scale infrastructure projects in the country had successively commenced. The real estate industry also saw rapid rebound during the year under review, owing to expectations of inflation and the release of demands accumulated in the year before 2009. All these factors had positive impact on steel demand.

Although steel price remained low in the first half year of 2009, the rise in sales volume had significantly lifted the revenue of steel companies. In the second half of the year, steel price was pushed up by demand and rose steadily.

The Group swiftly responded to changes in the market and operating environment by capturing the opportunities arising from insufficient supply of billets in the market, after a number of companies affected by the financial crisis had reined in production. By increasing the billet output of the Group's subsidiary Tangshan Fengrun Qu Zhengda Iron and Steel Company Limited ("Zhengda Iron and Steel") through acquisition and leasing arrangement, and by capitalising on a favourable supply and demand balance to reap higher gross margins, the Group stood out as one of the few steel enterprises making profits in the first half of 2009. In the second half, the Group kept on strengthening cost control, setting stringent cost management index for various departments, while adjusting the product mix to meet market demand. All these enabled the Group to maintain relatively satisfactory results for the whole year.

In response to the State's steel industry policy to control new production capacities in the steel sector, the Group seized the opportunities from market consolidation, acquiring existing production lines to lift the Group's overall capacity to 7 million tonnes.

During the year under review, the Group continued to deepen cooperation with ArcelorMittal, which actively participated in the Group's operation management and technological development. With advanced production technology and well-established management system, ArcelorMittal sent technicians to the Group's production facilities, to assist the Group in further enhancing its product quality and production efficiency, and gave advice on the Group's systematic management.

Dividend

The board of directors recommended a final dividend of HK 8.6 cents per share for the year ended 31 December 2009 amounting to HK\$ 252 million (approximate to RMB 222 million) subject to the approval of the Company's shareholders on 7 May 2010. The Company proposed to distribute a total dividend of HK 8.6 cents per share (2008: HK 6.5 cents) for the year ended 31 December 2009, which was 32 %, more than that of the previous year.

Business Review

During the year under review, the revenue of the Group was RMB 20,589 million (2008: 19,388), representing an increase of 6.2% as compared with that of 2008. The growth in revenue was mainly due to the increase in total sales volume from approximately 4.5 million tonnes in 2008 to 6.9 million tonnes in 2009 and the slightly rebound in the selling price in the second half of 2009 after it hit rock bottom at the end of 2008. The average selling price decreased by 31% from RMB 4,273 per tonne in 2008 to RMB 2,962 per tonne in 2009.

During the year under review, the Group's gross profit reached RMB 2,006 million. The main reason for the increase was that steel gross profit rose after it hit its lowest level at the end of 2008. Supported by our effective control on production cost and the increase in sales volume, which drove the overall gross profit margin to 9.7%, representing an increase of seven percentage points when compared with that of the previous year.

Zhengda Iron and Steel, which the Group set up in the end of 2008, focused on producing billet products to meet market demand during the year under review, and contributed a profit of RMB 213 million to the Group just a year after it was set up.

The audited profit before tax and profit attributable to equity holders of the Company for 2009 were RMB 1,314 million and RMB 884 million respectively, representing increases of 1,053% and 1,909% respectively when compared with those of the previous year.

During the year under review, the Group had a net cash inflow generated from operating activities of RMB 252 million (2008: RMB 148 million) for its consolidated cash flows.

Jinxi Jinlan enhanced its production capacity to 500,000 tonnes, following the Group's increase of its shareholding in Jinxi Jinlan to 81.5% and further capital injection to Jinxi Jinlan. During the year under review, Jinxi Jinlan continued to produce extremely thin steel sheets, which were supplied to high-end electronic consumer products manufacturers and thus had a higher competitive edge in the market. Jinxi Jinlan continued to improve its operation efficiency.

The Group's main production base – Jinxi Limited – located in Qianxi, Tangshan, Hebei province, continued to provide profit contribution to the Group. While securing efficient production volume, Jinxi Limited further developed new products with high added value, including steel piling, track steel and special section steel.

During the year under review, the Group's overall annual production capacity of crude steel reached 7 million tonnes, including approximate 3 million tonnes annual production capacity of H section steel, which can be used in high quality construction. This had further consolidated the Group's position as one of the largest H section steel production centres in China.

In addition, the Group developed hot rolled H section steel used for steel pole supporting overhead contact wires for electric railway in 2009. The introduction of this hot rolled H section steel for steel pole supporting overhead contact wires for electric railway has not only addressed the problem of opening up new markets for H section steel, but also generated greater economic benefits since its price is higher than other H section steel products.

The Group entered into a co-operative framework agreement with Asia Energy Logistics Group Limited (stock code: 351) in November 2009, pursuant to which Asia Energy Logistics Group Limited will assist the Company in constructing a cargo site at Santunying Station of Zunxiao Railway and providing railway logistics and transportation services to Jinxi Limited for the two years ending 23 November 2011. This will lower the Company's transportation cost and increase efficiency, as well as squeeze the transportation distance from the original 521 kilometres to 96 kilometres in the future, thereby shortening the transportation distance effectively and enhancing transportation capacity.

Strengthen Strategic Cooperation with ArcelorMittal

Since senior management staff of ArcelorMittal joined the board of China Oriental in 2008, ArcelorMittal has been to providing support to the Group in the aspect of scientific research and technology.

The representatives of ArcelorMittal at the board of the Company actively participated in the management of the Company, helped strengthen investor relations through arranging meetings with multinational institutional investors, and attended investor forums held at home and abroad, thereby further promoting the Company in the capital market. In addition, ArcelorMittal also sent technicians to the Group's production facilities for regular meetings with production staff and offering professional advice, which further improved the production workflow and productivity of each of the plants.

With ArcelorMittal being a global leader in section steel production, the cooperation between the two companies will be advantageous for the Group to consolidate its leadership in the PRC's H-section steel market, while providing a solid foundation for the Group's expansion in overseas markets in the future.

In view of the climbing price of iron ore, securing a stable supply of iron ore in the long run becomes a key issue to the Group's cost control. ArcelorMittal's market influence and huge purchasing platform will be enable the Group to secure a stable supply of iron ore from the international market, and to effectively control the risk of price fluctuations of raw material.

Business Operation

Sales Volume

In 2009, the Group's total sales volume was 6,948,000 tonnes (2008: 4,534,000 tonnes), representing an increase of approximately 53%.

The Group's sales volume breakdown was as follows:

	2009		2008		Changes in Sales volume
	Sales volume (<i>'000 tonnes</i>)		Sales volume (<i>'000 tonnes</i>)		
Billets	1,341	19.3%	1,007	22.2%	33%
Strips and strip products	2,861	41.2%	2,061	45.5%	39%
H-section steel products	2,460	35.4%	1,225	27.0%	101%
Cold rolled sheets and galvanised sheets	286	4.1%	241	5.3%	19%
Total	6,948	100.0%	4,534	100.0%	53%

During the year, the Group experienced substantial increase in the gross profit. This was mainly attributable to the increase in sales volume of strips and strip products and H-section steel products, which offered a higher gross profit margin of 11.6% and 9.5% respectively.

Revenue

Revenue of the Group in 2009 was RMB 20,589 million (2008: RMB 19,388 million), representing an increase of 6%.

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

RMB	2009		2008		Changes	
	Revenue (million)	Average selling price (RMB/tonne)	Revenue (million)	Average selling price (RMB/tonne)	Revenue %	Average selling price %
Billets	3,624	2,703	3,919	3,891	(8%)	(31%)
Strips and strip products	8,406	2,938	8,574	4,159	(2%)	(29%)
H-section steel products	7,405	3,011	5,562	4,538	33%	(34%)
Cold rolled sheets and galvanised sheets	1,142	3,990	1,319	5,489	(13%)	(27%)
Others	12	–	14	–	(14%)	–
Total	20,589	2,962	19,388	4,273	6%	(31%)

Cost of Sales and Gross Profit

The audited consolidated gross profit of the Group in 2009 was RMB 2,006 million (2008: RMB 517 million), representing an increase 288%. Gross profit margin was 9.7% (2008: 2.7%).

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

	2009			2008		
	Average unit cost (RMB/tonne)	Gross profit per tonne (RMB)	Gross profit margin	Average unit cost (RMB/tonne)	Gross profit/(loss) per tonne (RMB)	Gross profit/(loss) margin
Billets	2,461	242	9.0%	3,901	(10)	(0.3%)
Strips and strip products	2,596	342	11.6%	4,060	99	2.4%
H-section steel products	2,726	285	9.5%	4,286	252	5.6%
Cold rolled sheets and galvanised sheets	3,988	2	0.1%	5,440	49	0.9%
Total	2,673	289	9.7%	4,159	114	2.7%

Future Prospects

Given the uncertainty hanging over the global economy, the economic environment for 2010 will be complicated. China will focus on maintaining economic growth, while keeping inflation on a tight rein. It is expected that the State policies will continue to aim at stabilising prices, and to impose strict control on new production capacity in the building materials industry.

With the gradual economic recovery and the continued development of government infrastructure projects and private real estate projects, we expect a further increase in the demand for steel in 2010. However, the gradual rebound in the steel production volume in the PRC, together with an almost unchanged supply and demand balance in the short run, will to some extent exert pressure on the domestic steel price.

The significant increase in the price of iron ore and coke in 2010 will create further strain on the cost of steel enterprises, pushing up the price of steel. Yet, we anticipate that the increase in steel prices will not fully offset the increase in raw material prices. In the face of a changing and complicated market environment, the Group will enhance its core competitiveness in effective cost control amid a low profit margin steel industry.

Regarding raw material purchase, the Group will strengthen its monitoring of the price trend, in order to timely adjust its raw material inventory. The Group will also accelerate the pace of cooperation with ArcelorMittal on iron ore purchase, in order to secure a stable supply of iron ore with relatively steady prices.

On the front of raw material and energy consumption, the Group will enhance its production techniques to further reduce the energy consumption per product and consumption of raw material during the production process, in order to meet the objectives of energy saving and unit cost reduction.

The Group will continue to exercise stringent budget control, in order to lower the percentage of selling and distribution costs, administrative expenses and finance costs to the total revenue.

With respect to broadening revenue source, it is expected that the sales of newly developed extremely thin steel sheets and H section steel for specific use will rise gradually, which will help increase the average gross profit margin of products.

The Group will proactively participate in the steel industry takeover and restructuring according to the PRC steel industry policies, in an attempt to enhance its overall production capacity to over 10 million tonnes by the end of 2010. After achieving the targeted production capacity, the Group will focus on adjusting its product mix, and develop new products with high profit margins. The Group will also actively identify appropriate business opportunities from the upstream and downstream sectors, thereby creating new growth drivers for the Group in the future and achieving further vertical integration. In addition to the development of its core business, the Group is also exploring ways to make safe

investments to broaden its revenue source by capitalising on the Group's connections and surplus fund. During the year under review, the Group started to acquire a piece of land in Tangshan for real estate development. It is anticipated that the capital to be used for property development will not have any material impact on the Group.

The Group will continue to deepen its cooperation with ArcelorMittal on corporate governance, production technology, supply of raw material and overseas sales, in an attempt to improve the efficiency and management of every aspect of the Group's operations.

Accreditation for the Company and its Management

The Group was named the Advanced Collective of the National Steel Industry by the Ministry of Human Resources and Social Security and China Iron and Steel Association in February 2009.

The Group's hot rolled H-section steel product brandname, Jinxi Pai, was accredited "Consumers Satisfactory Products in Hebei Province" by China Quality and Assurance Committee.

Mr Han Jingyuan, the Chairman of the Company, had been named on the list of "The Third Annual Top 10 People for Enterprise Management Innovation" by the State-owned Asset Regulatory Commission and "Enterprise Management" magazine in January 2009. He was also named as one of the "60 Outstanding Entrepreneurs" at the 60th anniversary of New China by China Enterprise Newspaper and the research centre of State-owned Asset Regulatory Commission under the State Council in December 2009.

Moreover, Mr Zhu Jun, Executive Deputy General Manager and Chief Operating Officer of the Group, was named as the "Model Worker of the National Steel Industry" by China Iron and Steel Association in February 2009.

Human Resources and Remuneration Policies

As at 31 December 2009, the Group had a workforce of approximately 13,167 and temporary staff of 2,187. 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 worker's injury insurance scheme and contributed approximately RMB 5.14 million to the Social Insurance Bureau. The amount of contribution was calculated at 1.5% based on the workers' wages. According to the Group's remuneration policy, employees' package is based on productivity and/or sales performance, and is consistent with the Group's quality control and cost control targets.

Financial Review

Capital Structure

The cash and cash equivalents of the Group as at 31 December 2009 was RMB 644 million (2008: RMB 729 million). After deducting the cash and cash equivalents and the relevant restricted bank balances, net borrowings was RMB 1,722 million (2008: RMB 1,257 million), accounting for 24% (2008: 20%) of the Group's consolidated net assets after deducting minority interests, of RMB 7,169 million (2008: RMB 6,265 million).

The current ratio (current assets divided by current liabilities) was 1.01 as at 31 December 2009 (2008: 0.88). As at 31 December 2009, the ratio between total liabilities and total assets of the Group was 51% (2008: 54%).

The audited net asset value per share of the Group as at 31 December 2009 was RMB 2.45 (2008: RMB 2.14), representing an increase of 14%.

The consolidated interest expenses and capitalised interest in 2009 amounted to RMB 176 million (2008: RMB 155 million). The interest coverage (divide earnings before interests and taxes by total interest expenses) was 8.2 times (2008: 1.3 times).

Capital Commitments

As at 31 December 2009, the Group had capital commitments of RMB 2,950 million (2008: RMB 3,300 million), which mainly consisted of the capital commitments to the construction of coking coal project and rolled sheets project and other ancillary projects. It is estimated the capital commitments will be financed by the Group's internal resources and bank borrowings.

Guarantees and Contingent Liabilities

As at 31 December 2009, the Group's contingent liabilities amounted to RMB 30 million (2008: RMB 61 million) which was the provision of guarantee for bank borrowings in favour of third parties.

Pledge of Assets

As at 31 December 2009, the net book value of the Group's property, plant and equipment amounting to approximately RMB 1,463 million (2008: approximately RMB 1,406 million), land use rights amounting to approximately RMB 61 million (2008: approximately RMB 62 million), inventories amounting to approximately RMB 67 million (2008: approximately RMB 390 million), notes receivable amounting to approximately RMB 102 million (2008: approximately RMB 251 million) and restricted bank balances amounting to approximately RMB 342 million (2008: approximately RMB 362 million) had been pledged as security for the Group's banking facilities.

Exchange Risks

As at 31 December 2009, Renminbi, US dollar, HK dollar and EURO dollar accounted for 81.8%, 17.9%, 0.3% and 0.0001% of the Group's total bank balances (including restricted bank balances) respectively (31 December 2008: 93.8%, 5.7%, 0.2% and 0.3% respectively). As the majority of the sales, purchases of raw materials and bank borrowings committed by the Group were in Renminbi in 2009 and 2008, the Group's exposure to foreign exchange risk remained relatively low.

Interest Rates Risk

The interest rates of the Group's certain borrowings are subject to variation. The risk of increasing interest rate will increase the interest costs of both new borrowings and existing borrowings. At present, the Group does not use any derivatives to hedge its interest rate risk exposure.

Post Balance Sheet Events

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year with the deviations explained below.

The roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Han Jingyuan. The Board believes that there is no need to segregate the roles of the Chairman and the Chief Executive Officer of the Company because the role of the chief executive officer/general manager of the Company's major operating subsidiaries are performed by other persons and apart from acting as the listing vehicle of the Group, the Company has no real operating activities or business.

Depending on the future development of the operating activities or business of the Company, eventually the Board will actively consider the issue of replacing Mr. Han Jingyuan by an appropriate candidate as the Chief Executive Officer of the Company.

Pursuant to the Bye-Laws of the Company, the Chairman and/or the Managing Director of the Company shall not, whilst holding such office, be subject to the retirement by rotation or be taken into account in determining the number of the Directors to retire in each year. The Board will consider amending the Bye-laws to comply with the principle of Code Provision A.4 in the future.

Under Code Provision A.1.3, notice of at least 14 days should be given. During 2009, not less than 14 days notices is given. The Board will ensures sufficient notice to be given for the forthcoming board meeting.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the “Audit Committee”), which comprises three Independent Non-Executive Directors, has discussed and reviewed the audited consolidated financial statements for the year ended 31 December 2009 with the management.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company will be held at Suites 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 7 May 2010 at 10:00 a.m. Notice of the annual general meeting of the Company will be published and dispatched to the shareholders of the Company shortly.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 April 2010 to Monday, 26 April 2010, both days inclusive, during which period no transfer of shares may be registered. In order to qualify for the proposed final dividend and be eligible to attend and vote at the Annual General Meeting to be held at 10:00 a.m. on Friday, 7 May 2010, all transfers accompanied by the relevant share certificates, must be lodged with the Company’s Branch Share Registrar, Tricor Investor Services Limited, at 26th floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 April 2010.

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

Hong Kong, 23 March 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Liu Lei, Mr. Shen Xiaoling, Mr. Zhu Hao and Mr. Muktesh Mukherjee being the Executive Directors, Mr. Ondra Otradovec and Mr. Jean-Paul Georges Schuler being the Non-Executive Directors and Mr. Gao Qingju, Mr. Yu Tung Ho and Mr. Wong Man Chung, Francis being the Independent Non-Executive Directors.

This announcement is published on the websites of the Company (www.chinaorientalgroup.com) and the Stock Exchange (www.hkexnews.hk).