CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code 581)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June Unaudited Consolidated		
	2009 *RMB*	2008 *RMB*	Change
Sales volume (tonnes)	**3.19 million**	2.54 million	26%
Gross profit per tonne	**235 yuan**	532 yuan	(56%)
Revenue	**9.17 billion**	11.65 billion	(21%)
Gross profit	**754 million**	1,351 million	(44%)
Profit before income tax	**540 million**	1,171 million	(54%)
Profit attributable to equity holders of the Company	**358 million**	835 million	(57%)
Net cash (used in)/generated from operating activities	**(9) million**	305 million	N/A
Basic earnings per share	**0.12 yuan**	0.29 yuan	(59%)
Interim dividends per share	–	6.5 HK cents	N/A
	30 June 2009	31 December 2008	
Net assets value per share (exclude minority interest)	**2.26 yuan**	2.14 yuan	6%

* *For identification purpose only*

The Board of Directors ("Board") of China Oriental Group Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative amounts for the corresponding period. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been reviewed by the Company's Audit Committee. The Company's auditors, PricewaterhouseCoopers has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**9,174,977**	11,649,520
Cost of goods sold		**(8,420,775)**	(10,298,601)
Gross Profit		**754,202**	1,350,919
Other income		**21,780**	6,553
Distribution costs		**(17,661)**	(44,231)
Administrative expenses		**(130,954)**	(120,980)
Other expenses		**(9,716)**	(5,391)
Other losses-net		**(20,548)**	(6,431)
Operating profit	*4*	**597,103**	1,180,439
Finance income		**17,349**	7,594
Finance costs		**(72,411)**	(17,588)
Share of (loss)/profit of an associate		**(2,207)**	818
Profit before income tax		**539,834**	1,171,263
Income tax expense	*5*	**(145,463)**	(305,008)
Profit for the period		**394,371**	866,255
Other comprehensive income		**–**	–
Total comprehensive income for the period		**394,371**	866,255

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Profit for the period attributable to:			
– equity holders of the Company		**358,231**	835,440
– minority interest		**36,140**	30,815
		394,371	866,255
Total comprehensive income attributable to:			
– equity holders of the Company		**358,231**	835,440
– minority interest		**36,140**	30,815
		394,371	866,255
Earnings per share for profit attributable to equity holders of the Company during the period (express in RMB per share)			
– basic	*6*	**0.12**	0.29
– diluted	*6*	**0.12**	0.29
Dividends	*7*	**–**	167,088

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**8,826,655**	8,286,788
Leasehold land and land use rights	*8*	**73,965**	74,790
Investment properties	*8*	**17,998**	18,400
Intangible assets	*8*	**7,667**	7,667
Investment in an associate		**7,913**	10,120
Loan receivable		**130,000**	130,000
Available-for-sale financial assets		**188,100**	188,100
Deferred income tax assets		**13,570**	7,461
Total non-current assets		**9,265,868**	8,723,326
Current assets			
Inventories		**1,805,247**	1,567,437
Trade receivables	*9*	**1,572,801**	1,733,991
Other current assets		**16,162**	9,894
Prepayments, deposits and other receivables		**524,872**	731,570
Financial assets at fair value through profit or loss		**142**	140
Amounts due from related parties		**10,142**	14,620
Prepaid current income tax		**135,048**	264,555
Restricted bank balances		**436,526**	361,698
Cash and cash equivalents		**621,625**	728,826
Total current assets		**5,122,565**	5,412,731
Total assets		**14,388,433**	14,136,057
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares		**311,669**	311,669
Share premium		**2,189,695**	2,189,695
Other reserves		**1,155,716**	1,144,963
Retained earnings		**2,977,133**	2,618,902
		6,634,213	6,265,229
Minority interest		**260,851**	224,711
Total equity		**6,895,064**	6,489,940

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**285,000**	489,230
Other long-term payables		**789,626**	847,934
Deferred revenues		**46,756**	62,756
Amounts due to related parties		**65,055**	65,055
Total non-current liabilities		**1,186,437**	1,464,975
Current liabilities			
Trade payables	10	**1,769,527**	2,219,395
Accruals, advances from customers and other current liabilities		**2,143,099**	2,034,745
Amounts due to related parties		**212,865**	207,013
Other long-term payables – current portion		**82,987**	19,888
Borrowings		**2,095,595**	1,697,230
Dividends payable		**2,859**	2,871
Total current liabilities		**6,306,932**	6,181,142
Total liabilities		**7,493,369**	7,646,117
Total equity and liabilities		**14,388,433**	14,136,057
Net current liabilities		**(1,184,367)**	(768,411)
Total assets less current liabilities		**8,081,501**	7,954,915

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

China Oriental Group Company Limited (the "Company") was incorporated in Bermuda on 3 November 2003 as an exempted company with limited liability under the Companies Act 1981 of Bermuda as a result of a group reorganisation (the "Reorganisation").

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

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

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

This condensed consolidated interim financial information was approved for issue on 28 August 2009.

This condensed consolidated interim financial information has not been audited.

2. Basic of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidation interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, 'interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in the annual financial statements for the year ended 31 December 2008, which has been approved by the Board of Directors (the "Board") on 3 April 2009.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements'. 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. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income).

The Group has elected to present one statement (the statement of comprehensive income). The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and top management.

- HKAS 23 (revised), 'Borrowing costs". 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 is removed. It does not anticipate any material impact on the Group's accounts as the Group has already followed the principles of capitalising borrowing costs for qualify assets in accordance with existing HKAS 23.

- HKFRS 2 (amendment), 'Share-based payment'. The amended standard 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. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has applied HKFRS 2 (amendment) from 1 January 2009, but it does not have a material impact on the Group's financial statements.

- Amendment to HKFRS 7, 'Financial instruments: Disclosure'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

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 six months ended 30 June 2009 and 2008 were as follows:

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Sales:		
Gross sales, less discounts and returns		
– billets	**1,953,359**	2,025,270
– strips and strip products	**3,592,960**	5,663,820
– H-section steel	**3,281,568**	3,308,699
– galvanised sheets	**249,035**	365,535
– cold rolled sheets	**95,808**	357,789
– others	**7,358**	11,156
	9,180,088	11,732,269
Less: Taxes	**(5,111)**	(82,749)
	9,174,977	11,649,520

(b) Segment information

The chief operating decision-maker 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. Operating profit

The following items have been credited/(charged) to the operating profit during the six months ended 30 June 2009 and 2008:

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Gain/(loss) on disposal of property, plant and equipment	**549**	(273)
Amortisation of leasehold land and land use rights *(Note 8)*	**(825)**	(826)
Depreciation of property, plant and equipment *(Note 8)*	**(399,961)**	(261,185)
Taxation on inter-group transfer of property, plant and equipment	**(25,613)**	–
Depreciation of investment properties *(Note 8)*	**(402)**	(524)
Foreign exchange loss, net	**(1,045)**	(12,923)

5. Income tax expense

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**151,572**	314,849
Deferred income tax	**(6,109)**	(9,841)
	145,463	305,008

6. 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 period.

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**358,231**	835,440
Weighted average number of ordinary shares in issue *(thousands)*	**2,929,200**	2,929,174
Basic earnings per share *(RMB per share)*	**0.12**	0.29

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 June 2009, 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) during the period 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.

	Unaudited For the six months ended 30 June 2009 *RMB'000*
Profit attributable to equity holders of the Company	**358,231**
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,929,200**
Adjustments for options *(thousands)*	**1,461**
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,930,661**
Diluted earnings per share *(RMB per share)*	**0.12**

Diluted earnings per share for the period ended 30 June 2008 equals basic earnings per share as the Company has no dilutive potential ordinary shares as at 30 June 2008.

7. Dividends

(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 six months ended 30 June 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 in the second half of 2008.

(c) The Board does not recommend the payment of final dividend for the year ended 31 December 2008.

(d) The Board does not recommend the payment of interim dividend for the six months ended 30 June 2009.

8. Capital expenditure

	Property, plant and equipment	Leasehold land and land use rights	Investment properties	Intangible assets
		Unaudited *RMB'000*		
For the six months ended 30 June 2009				
Opening carrying amount as at 1 January 2009	8,286,788	74,790	18,400	7,667
Additions	942,564	–	–	–
Disposals	(2,736)	–	–	–
Depreciation and amortisation *(Note 4)*	(399,961)	(825)	(402)	–
Closing carrying amount as at 30 June 2009	8,826,655	73,965	17,998	7,667
For the six months ended 30 June 2008				
Opening carrying amount as at 1 January 2008	6,405,538	76,441	19,328	–
Additions	1,111,897	–	–	7,667
Disposals	(273)	–	–	–
Depreciation and amortisation *(note 4)*	(261,185)	(826)	(524)	–
Closing carrying amount as at 30 June 2008	7,255,977	75,615	18,804	7,667

As at 30 June 2009, the Group is in the process of applying for or changing registration of the title certificate of certain of its land use right with carrying value of approximately RMB 12 million (31 December 2008: RMB 12 million).

As at 30 June 2009, the carrying amount of the property, plant and equipment located in aforementioned land approximated RMB 1,460 million (31 December 2008: RMB 933 million).

9. Trade receivables

	Unaudited 30 June 2009 ***RMB'000***	Audited 31 December 2008 *RMB'000*
Accounts receivable	**128,172**	29,897
Notes receivable – bank acceptance notes *(a)*	**1,444,629**	1,704,094
	1,572,801	1,733,991

(a) As at 30 June 2009, notes receivable of approximately RMB 4 million were pledged as security for issuing letters of credit.

As at 31 December 2008, notes receivable of approximately RMB 10 million and RMB 241 million were pledged as security for issuing notes payable and the Group's borrowings respectively *(Note 10)*.

As at 30 June 2009 and 31 December 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 maturity dates within six months.

As at 30 June 2009 and 31 December 2008, the ageing analysis of trade receivables was as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**1,100,847**	1,517,847
4 – 6 months	**471,954**	216,144
	1,572,801	1,733,991

As at 30 June 2009, accounts receivable pledged by letters of credit issued by the third parties amounted to approximately RMB 72 million (31 December 2008: approximately RMB 0.3 million).

10. Trade payables

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	*RMB'000*
Accounts payable	**1,226,027**	1,936,407
Notes payable *(a)*	**543,500**	282,988
	1,769,527	2,219,395

(a) As at 30 June 2009, the notes payable represented bank acceptance notes and trade acceptance notes, carrying at RMB 467 million and RMB 77 million respectively. RMB 417 million of total bank acceptance notes were secured by restricted bank balances carrying at approximately RMB 171 million, and RMB 50 million of which were secured by inventories and restricted bank balances carrying at approximately RMB 64 million and RMB 19 million respectively.

As at 31 December 2008, the notes payable represented bank acceptance notes, RMB 10 million of which were secured by notes receivable carrying at approximately RMB 10 million *(Note 9)*, RMB 203 million of which were secured by restricted bank balances carrying at approximately RMB 63 million, and RMB 70 million of which were secured by inventories and restricted bank balances carrying at approximately RMB 36 million and RMB 64 million respectively.

As at 30 June 2009 and 31 December 2008, the ageing analysis of the trade payables was as follows:

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
Within 3 months	**1,279,009**	1,596,939
4 – 6 months	**385,019**	586,530
7 – 9 months	**65,108**	22,951
10 – 12 months	**30,325**	2,473
Above 1 year	**10,066**	10,502
	1,769,527	2,219,395

11. Capital commitments

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

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
Purchase of intangible assets		
– Contracted but not provided for	**2,000**	2,000
Purchase of property, plant and equipment		
– Contracted but not provided for	**1,956,218**	2,088,203
– Authorised but not contracted for	**1,309,882**	1,209,707
	3,266,100	3,297,910

12. Financial guarantee contracts

As at 30 June 2009, Hebei Jinxi Iron and Steel Company Limited ("Jinxi Limited") provided guarantee for certain bank borrowings in favour of third parties amounting to approximately RMB 141 million (31 December 2008: approximately RMB 61 million). The fair values of these financial guarantee contracts are not significant.

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

MANAGEMENT DISCUSSION AND ANAYLSIS

The global economy in 2009 remained volatile under the shadow of the financial crisis. However, entering the second quarter, the world economy showed signs of stability as the stimulus packages rolled out by various governments began to take effect. To China, the financial turmoil had wreaked damage of a lesser magnitude when compared with the developed nations in Europe and America. This, together with the central government's economic stimulus plans, has helped to sustain stable development of the local economy. With the improving industrial environment in China and the gradual decline in inventory level, the market demand for various types of raw material has recovered. Since the second quarter, steel prices in China have been rising steadily from rock bottom at the beginning of the year. The Group saw a turnaround in its results for the first half of 2009 as compared with that of the second half of 2008, and reported a reasonable profit for the period under review.

The Group's total sales volume reached approximately 3.19 million tonnes for the six months ended 30 June 2009, which had increased by 26% as compared with the sales volume of 2.54 million tonnes in the previous corresponding period. The revenue for the period under review was approximately RMB 9.17 billion. As the steel prices during the same period last year were at a record high, the revenue for the first half of 2009 decreased by approximately 21% as compared with the same period last year.

The gross profit of the Group's steel products was approximately RMB 235 per tonne during the first half of 2009. The total gross profit for the period under review was RMB 754 million, with a gross margin of approximately 8%. Since the steel prices during the previous corresponding period were relatively high, there was a downward adjustment in the gross margin for the first half of 2009 as compared with that of the same period last year. However, when comparing with the second half of last year, the gross margin for the first half of 2009 showed significant improvement.

The Group's net profit (profit attributable to the equity holders of the Company) reached RMB 358 million during the first half of the year. Although the net profit for the period under review was far lower than that of the previous corresponding period due to a sharp decline in unit price over the same period, it was a turnaround when compared with a loss during the second half of last year. This reflects the Group's ability to make swift response to changes.

In response to significant decline in product prices and high costs of raw material, which was purchased at a relatively high price in previous periods, the Group had adopted a series of decisive cost-reduction measures to enhance profitability. To overcome the severe market challenges, the Group introduced at the end of last year a stringent cost control mechanism, including control of construction investment and production through strengthening audit of individual projects, as well as the costs of capital and procurement. In addition, during the period under review, the Group rationalised its corporate structure and downsized workforce so as to meet the target of 10% reduction in staff. The above-mentioned measures effectively enhanced the operation efficiency and contributed to the Group's return to black.

The subsidiary of Group, Tangshan Fengrun Qu Zhengda Iron and Steel Company Limited ("Zhengda Iron and Steel"), successfully completed the acquisition of a portion of plants, equipments and factory of Tangshan Fengrun Qu Hengfeng Iron and Steel Company Limited ("Hengfeng Iron and Steel") to produce steel products and leased the remaining portion of production facilities. As the annual production capacity of all plants and equipments is approximately 1,000,000 tonnes, thus increasing the Group's overall capacity to 7,000,000 tonnes.

The major products of Zhengda Iron and Steel are billets. This year, after the recovery of the market, the demand for crude steel from the rolled iron factories neighbouring Zhengda Iron and Steel has been robust. The facilities therefore achieved satisfactory sales. The production line had started to provide profit contribution to the Group for the first half of 2009.

BUSINESS REVIEW

Sales Volume

During the first half of 2009, the Group's total sales volume was 3,194,000 tonnes (2008 corresponding period: 2,539,000), representing an increase of 26%.

The Group's sales volume breakdown was as follows:

	For the six months ended 30 June				
	2009		2008		Changes in
	Sales volume	**Percentage**	Sales volume	Percentage	sales
	('000 tonnes)	**%**	*('000 tonnes)*	%	volume
Billets	**743**	**23.3%**	460	18.1%	61.5%
Strips and strip products	**1,261**	**39.5%**	1,285	50.6%	(1.9%)
H-section steel	**1,103**	**34.5%**	668	26.3%	65.1%
Cold rolled sheets and galvanised sheet	**87**	**2.7%**	126	5.0%	(31.0%)
Total	**3,194**	**100.0%**	2,539	100.0%	25.8%

In the first quarter of the year, affected by the financial crisis, the global economy slowed down and market demand for iron and steel dropped. The Group's average capacity utilisation rate in the first quarter of 2009 still sustained at approximately above 90%. Entering the second quarter, the market situation improved and demand for various products increased steadily. The Group's capacity utilisation rate in the second quarter reached 100%, while the overall sales volume in the first half of 2009 increased by approximately 26% as compared with the previous corresponding period.

Revenue

Revenue of the Group in the first half of 2009 was RMB 9.17 billion (2008 corresponding period: RMB 11.65 billion), representing a decrease of 21%.

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

	For the six months ended 30 June					
	2009		2008		Change in	
	Revenue *(RMB million)*	**Average selling price** *(RMB/tonne)*	Revenue *(RMB million)*	Average selling price *(RMB/tonne)*	Revenue	Average selling price
Billets	**1,950**	**2,624**	2,011	4,369	(3.0%)	(39.9%)
Strips and strip products	**3,593**	**2,850**	5,663	4,407	(36.6%)	(35.3%)
H-section steel	**3,281**	**2,974**	3,242	4,856	1.2%	(38.8%)
Cold rolled sheets and galvanised sheets	**344**	**3,952**	723	5,735	(52.4%)	(31.1%)
Others	**7**	**N/A**	11	N/A	N/A	N/A
Total	**9,175**	**2,870**	11,650	4,584	(21.2%)	(37.4%)

Steel prices hovered around low levels from January to March of the first half of the year, and starting from the second quarter, began to rise slowly. However, the Group's revenue declined from that of the same period last year.

Cost of Goods Sold and Gross Profit

The consolidated gross profit for the first half of 2009 amounted to RMB 754 million (2008 corresponding period: RMB 1,351 million), representing a decrease of 44%. Gross margin was approximately 8.2% (2008 corresponding period: 11.6%).

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

	For the six months ended 30 June					
	2009			2008		
	Average cost per tonne ***(RMB)***	**Gross profit/(loss) per tonne** ***(RMB)***	**Gross profit/(loss) margin**	Average cost per tonne *(RMB)*	Gross profit per tonne *(RMB)*	Gross profit margin
Billets	**2,307**	**317**	**12.1%**	3,920	449	10.3%
Strips and strip products	**2,542**	**308**	**10.8%**	3,953	454	10.3%
H-section steel	**2,845**	**129**	**4.3%**	4,091	765	15.8%
Cold rolled sheets and galvanised sheets	**4,125**	**(173)**	**(4.4%)**	5,344	391	6.8%
Total	**2,635**	**235**	**8.2%**	4,052	532	11.6%

The decrease in the Group's cost for the first half of the year was mainly attributable to the Group's strict cost-control measures and decline in the prices of iron powder and coke, which were the main raw materials and the fuel used for production.

FUTURE PROSPECTS

Driven by the central government's active economic stimulus policy, the downstream sectors of the iron and steel industry have recovered earlier and quicker than expected. Increase in construction in progress in the real estate industry and the successive commencement of large infrastructure projects will spur demand for iron and steel to further growth. Owing to these factors, we are optimistic about the prospects of iron and steel industry for the second half of the year.

The Group expects steel demand will rise further in the second half of 2009. With iron and steel producers gradually restoring their capacities, substantial rise in the price of steel products will not occur, though prices fluctuating around an upward trend are expected.

In the face of a changing market environment, the Group will maintain a prudent operational strategy and stringent cost control policy. With respect to product mix, we will leverage the opportunities arising from the recovery of the construction and manufacturing industries to increase the sales proportion of products with higher gross margin such as billets.

The Group's second largest shareholder, ArcelorMittal, is the world's largest steel corporation. Last year, ArcelorMittal appointed certain senior management executives to the Board of the Company, to actively participate in decision making in the Group's operations. The Group is currently exploring the possibilities of business cooperation with ArcelorMittal in China.

The Group will continue to implement the vertical integration and operation efficiency enhancement strategies. In the near future, the Group will continue to work on further vertical integration and on enhancing operational efficiency at its facilities. The Group plans to reach an annual capacity of 10 million tons in 2010 mainly through M&A activity keeping in line with the objective of the Central Government to further consolidate the steel industry in China. Meanwhile, the Group continues to explore the development of high value added production downstream (e.g. Sheet Piles, Rails, Special Sections) in order to further achieve its goal of being the largest section steel producer in China.

Human Resources and Remuneration Policies

As at 30 June 2009, the Group had a workforce of 12,800 and temporary staff of 640. The staff cost included basic salaries and benefits. Staff cost included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc. The Group's remuneration policies are to tie its employees' income to their productivity and/or sales volume, as well as to the extent that they meet the Company's quality control and cost control targets.

Dividend Policy

Contained in the listing prospectus in March 2004, the Company plans to distribute not less than 20% of the Group's distributable profit as dividend after its listing. However, the actual amount of dividend and its percentage of the profit will be at the discretion of the Board and will depend upon the Company's future operation and earnings, capital requirement and surplus, general financial condition, contractual restrictions, and other factors that the Board finds relevant. In addition, pursuant to the relevant PRC laws, Jinxi Limited's distributable profit should not be higher than its net profit, after appropriation to the statutory reserve as determined by the generally accepted accounting principles in the PRC.

FINANCIAL REVIEW

Capital Structure

The cash and cash equivalents of the Group as at 30 June 2009 was RMB 622 million (31 December 2008: RMB 729 million). After deducting the cash and cash equivalents and relevant restricted bank balances, the Group's net borrowings amounted to RMB 1,579 million (31 December 2008: RMB 1,257 million), accounting for 24% (31 December 2008: 20%) of the Group's consolidated net assets after deducting minority interests of RMB 6,634 million (31 December 2008: RMB 6,265 million).

The Group's current ratio (current assets divided by current liabilities) was 0.81 as at 30 June 2009 (31 December 2008: 0.88). As at 30 June 2009, the ratio between total liabilities and total assets of the Group was 52% (31 December 2008: 54%).

The net asset value per share of the Group as at 30 June 2009 was RMB 2.26 (31 December 2008: RMB 2.14), representing an increase of 5.6%.

The consolidated interest expenses (including capitalised interest expenses) in the first half of 2009 amounted to RMB 93.12 million (2008 corresponding period: RMB 48.89 million). The interest coverage (earnings before interest expenses and tax divided by interest expenses) was 6.6 times (2008 corresponding period: 25.0 times)

Capital Commitments

As at 30 June 2009, the Group's capital commitments amounted to RMB 3,266 million (31 December 2008: RMB 3,298 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 borrowings.

Financial Guarantee Contracts

As at 30 June 2009, the Group's financial guarantee contracts amounted to RMB 141 million (31 December 2008: RMB 61 million) which was the provision of guarantee for bank borrowings in favour of third parties.

Pledge of Assets

As at 30 June 2009, the net book value of the Group's property, plant and equipment amounting to RMB 1,432 million (31 December 2008: RMB 1,406 million), land use rights amounting to RMB 62 million (31 December 2008: RMB 62 million), inventories amounting to approximately RMB 506 million (31 December 2008: RMB 390 million), notes receivable amounting to RMB 4 million (31 December 2008: approximately RMB 251 million) and restricted bank balances amounting to approximately RMB 437 million (31 December 2008: approximately RMB 362 million) had been pledged as security for the Group's banking facilities.

Exchange Risks

As at 30 June 2009, Renminbi, US dollar, HK dollar and Euro accounted for 93.7%, 6.2%, 0.1% and 0.002% 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 denominated in RMB during the first half of 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 variations. 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

There have been no events to cause material impact on the Group from the balance sheet date to the date of this report which should be disclosed.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding directors of the Company's securities transactions on terms no less than exacting than the required standard set out in the Model Code of Appendix 10 of the Listing Rules (the "Model Code").

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

AUDIT COMMITTEE AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has established an Audit Committee comprised all three Independent Non-Executive Directors namely Mr. Gao Qingju, Mr. Yu Tung Ho and Mr. Wong Man Chung, Francis with written term of reference in compliance with the requirement of Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the auditors of the Company has conducted their review in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA. On 27 August 2009, the Committee met with the management to review the unaudited condensed consolidated interim financial information and consider the significant accounting policies.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the Listing Rules, throughout the period except 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 Group. The Board believes that there is no 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 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.

APPRECIATION

The Board would like to extend its gratitude to the staff for their dedication and contribution to the Group, and to thank our shareholders for their support and trust. We will continue to join hands with our shareholders and staff to capture the opportunities arising from the economic recovery, in order to enable every one of us to reap a bumper harvest.

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

Hong Kong, 28 August 2009

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).