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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 2013 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2013	2012	Change
Sales volume *(tonnes)*			
– Self-manufactured steel products	**8.67 million**	9.42 million	-8.0%
– Trading of steel products	**0.91 million**	1.08 million	-15.7%
	9.58 million	10.50 million	-8.8%
Revenue (RMB)			
– Sale of self-manufactured steel products	**26.5 billion**	31.4 billion	-15.5%
– Trading of steel products	**2.7 billion**	3.5 billion	-24.0%
– Trading of iron ore	**3.0 billion**	0.6 billion	+411.3%
– Sale of properties	**0.1 billion**	0.3 billion	-65.0%
– Others	**0.2 billion**	0.3 billion	-40.3%
	32.5 billion	36.1 billion	-10.0%
Gross profit (RMB)			
– Sale of self-manufactured steel products	**868 million**	933 million	-7.0%
– Trading of steel products	**45 million**	59 million	-23.7%
– Trading of iron ore	**55 million**	20 million	+175.0%
– Sale of properties	**18 million**	99 million	-81.8%
– Others	**18 million**	53 million	-66.0%
	1,004 million	1,164 million	-13.7%
Gross profit per tonne (RMB)			
– Sale of self-manufactured steel products	**100 yuan**	99 yuan	+1.0%

* *For identification purpose only*

	Year ended 31 December		
	2013	2012	Change
EBITDA[1] (RMB)	**1,615 million**	1,595 million	+1.3%
EBITDA margin	**5.0%**	4.4%	N/A
EBIT[2] (RMB)	**566 million**	647 million	-12.5%
EBIT margin	**1.7%**	1.8%	N/A
Profit before income tax (RMB)	**249 million**	326 million	-23.5%
Profit for the year (RMB)	**63 million**	146 million	-57.0%
Profit attributable to owners of the Company (RMB)	**102 million**	126 million	-19.4%
Basic earnings per share (RMB)	**0.03 yuan**	0.04 yuan	-25.0%
Return on equity[3]	**1.1%**	1.4%	N/A
	As at 31 December		
	2013	2012	Change
Total assets (RMB)	**23.75 billion**	24.75 billion	-4.0%
Net assets value per share (exclude non-controlling interests) (RMB)	**3.14 yuan**	3.09 yuan	+1.6%
Debt-to-capital ratio [4]	**58.9%**	63.2%	N/A

1 The Company defines EBITDA as profit for the year before finance costs-net, income tax expense, amortisation of intangible assets, amortisation of leasehold land and land use rights, depreciation, non-recurring items and share-based payments. Non-recurring items for the year ended 31 December 2013 included RMB 50.0 million as gain on disposal of an associate, RMB 79.1 million as impairment of property, plant and equipment, RMB 23.8 million as impairment of available-for-sale financial assets and RMB 234.2 million as impairment provision of prepayments for purchase of property, plant and equipment.

2 The Company defines EBIT as profit for the year before finance costs-net, income tax expense, non-recurring items and share-based payments. Non-recurring items for the year ended 31 December 2013 included RMB 50.0 million as gain on disposal of an associate, RMB 79.1 million as impairment of property, plant and equipment and RMB 23.8 million as impairment of available-for-sale financial assets and RMB 234.2 million as impairment provision of prepayments for purchase of property, plant and equipment.

3 Return on equity is calculated as profit attributable to owners of the Company divided by the average of the beginning and ending balances of the equity attributable to owners of the Company for that year.

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

The board of directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**32,516,937**	36,122,358
Cost of sales	*4*	**(31,513,169)**	(34,958,840)
Gross profit		**1,003,768**	1,163,518
Other income	*5*	**90,918**	35,958
Distribution costs	*4*	**(116,241)**	(97,583)
Administrative expenses	*4*	**(620,841)**	(525,680)
Other expenses	*4*	**(43,276)**	(47,615)
Other (losses)/gains – net	*6*	**(68,539)**	164,149
Operating profit		**245,789**	692,747
Finance income	*7*	**185,278**	145,179
Finance costs	*7*	**(181,726)**	(499,173)
Share of result of an associate		**–**	(12,697)
Profit before income tax		**249,341**	326,056
Income tax expense	*8*	**(186,313)**	(179,579)
Profit for the year		**63,028**	146,477
Profit/(loss) attributable to:			
Owners of the Company		**101,609**	126,062
Non-controlling interests		**(38,581)**	20,415
		63,028	146,477
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	*9*	**RMB 0.03**	RMB 0.04
– Diluted earnings per share	*9*	**RMB 0.03**	RMB 0.04
		RMB'000	*RMB'000*
Dividends	*10*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**63,028**	146,477
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Transfer of fair value losses previously taken to reserve to income statement upon impairment of avaiable-for-sale financial assets	**3,892**	–
Fair value gains/(losses) on available-for-sale financial assets	**12,374**	(10,696)
	16,266	(10,696)
Total comprehensive income for the year	**79,294**	135,781
Attributable to:		
Owners of the Company	**117,875**	115,366
Non-controlling interests	**(38,581)**	20,415
	79,294	135,781

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	*11*	**130,318**	133,723
Property, plant and equipment	*11*	**9,160,405**	9,039,970
Investment properties	*11*	**14,372**	15,178
Intangible assets	*11*	**8,760**	8,629
Available-for-sale financial assets		**149,701**	157,280
Trade receivables	*16*	–	576,155
Prepayments, deposits and other receivables	*12*	–	456,058
Loan receivable	*13*	–	300,000
Long-term bank deposits		**52,000**	–
Deferred income tax assets		**285,894**	201,090
Total non-current assets		**9,801,450**	10,888,083
Current assets			
Properties under development and held for sale	*14*	**880,568**	388,013
Inventories	*15*	**3,689,967**	3,192,558
Trade receivables	*16*	**1,110,753**	547,758
Prepayments, deposits and other receivables	*12*	**1,799,770**	1,787,922
Amounts due from related parties		**4,996**	90,107
Prepaid current income tax		**66,607**	86,307
Loan receivables	*13*	**363,232**	79,700
Notes receivable – bank acceptance notes	*16*	**3,449,103**	5,702,736
Restricted bank balances		**1,616,022**	1,109,794
Cash and cash equivalents		**968,132**	879,005
Total current assets		**13,949,150**	13,863,900
Total assets		**23,750,600**	24,751,983
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares		**311,853**	311,772
Share premium		**2,192,131**	2,191,087
Other reserves		**1,587,224**	1,493,880
Retained earnings		**5,099,996**	5,045,030
		9,191,204	9,041,769
Non-controlling interests		**519,698**	513,247
Total equity		**9,710,902**	9,555,016

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December **2013** *RMB'000*	2012 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**4,283,962**	4,501,105
Other long-term payables		**26,129**	26,129
Deferred revenue		**57,674**	47,293
Amounts due to related parties		**89,263**	89,263
Total non-current liabilities		**4,457,028**	4,663,790
Current liabilities			
Trade payables	*17*	**3,521,390**	3,678,585
Accruals, advances and other current liabilities		**2,341,023**	2,773,751
Amounts due to related parties		**181,716**	54,046
Current income tax liabilities		**66,930**	53,314
Other long-term payables – current portion		**–**	115,007
Borrowings		**3,435,497**	3,853,899
Dividends payable		**36,114**	4,575
Total current liabilities		**9,582,670**	10,533,177
Total liabilities		**14,039,698**	15,196,967
Total equity and liabilities		**23,750,600**	24,751,983
Net current assets		**4,366,480**	3,330,723
Total assets less current liabilities		**14,167,930**	14,218,806

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

(a) New and amended standards adopted by the Group

The following new and amended standards, and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 and have a material impact to the Group:

- Amendment to HKAS 1, "Financial statements presentation".
- HKFRS 10, "Consolidated financial statements".
- HKFRS 12, "Disclosure of interests in other entities".
- HKFRS 13, "Fair value measurements".

The following new and amended standards, and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 but not currently relevant or do not have material impact to the Group (although they may affect the accounting for future transactions and events):

- Amendment to HKFRS 1, "First time adoption", on government loans.
- Amendment to HKFRSs 10, 11 and 12 on transition guidance.
- HKFRS 11, "Joint arrangements".
- Amendment to HKAS 19, "Employee benefits".
- Amendments to HKFRS 7, "Financial instruments: Disclosures" on asset and liability offsetting.
- HK(IFRIC) – Int 20, "Stripping costs in the production phase of a surface mine".

(b) New standard and interpretation not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to HKAS 36, 'Impairment of assets', on recoverable amount of disclosures, effective for annual periods beginning on or after 1 January 2014.
- HK(IFRIC)-Int 21, 'Levies', effective for annual periods beginning on or after 1 January 2014.
- HKFRS 9, 'Financial instruments', no mandatory effective date yet determined but is available for adoption.

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

3. SALES AND SEGMENT INFORMATION

(a) Sales

The Group is principally engaged in the manufacture and sale of iron and steel products, trading of steel products and iron ore and real estate business. Sales recognised for the years ended 31 December 2013 and 2012 were as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Gross sales less discounts, returns and sales taxes		
– Strips and strip products	**11,098,625**	12,266,457
– H-section steel products	**10,068,657**	11,554,233
– Rebar	**2,461,710**	2,521,714
– Cold rolled sheets and galvanised sheets	**1,561,753**	2,352,008
– Billets	**3,960,533**	6,170,019
– Iron ore	**3,050,802**	596,688
– Real estate	**112,886**	322,919
– Others	**201,971**	338,320
	32,516,937	36,122,358

(b) Segment information

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

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

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

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

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

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

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

	Year ended 31 December 2012		
	Iron and steel	Real estate	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	35,799,439	322,919	36,122,358
Segment operating profit	619,928	72,819	692,747
Finance (costs)/income – net	(354,692)	698	(353,994)
Share of result of an associate	(12,697)	–	(12,697)
Profit before income tax			326,056
Income tax expense			(179,579)
Profit for the year			146,477
Other income statement items			
Depreciation and amortisation	947,369	576	947,945
Impairment of property, plant and equipment	(3,600)	–	(3,600)
Capital expenditure	1,630,169	279	1,630,448

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that is reported as direct offsets in the balance sheet. Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, intangible assets, long-term bank deposits, inventories, trade receivables, notes receivable, prepayments, deposits and other receivables, amounts due from related parties, restricted bank balances and cash and cash equivalents.

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

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

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

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

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

4. EXPENSES BY NATURE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Employee benefit expense	**971,986**	1,039,827
Changes in inventories of finished goods and work in progress	**(456,800)**	(20,924)
Raw materials used	**28,324,999**	31,167,528
Cost of properties sold	**95,569**	162,062
Utilities	**1,497,502**	1,733,981
Amortisation of leasehold land and land use rights *(Note 11)*	**3,405**	3,405
Depreciation of property, plant and equipment *(Note 11)*	**1,045,516**	943,709
Amortisation of intangible assets *(Note 11)*	**78**	25
Depreciation of investment properties *(Note 11)*	**806**	806
Operating lease expenses in respect of land use rights	**3,458**	3,640
Provision for/(reversal of) impairment of trade receivables *(Note 16)*	**6,738**	(538)
Impairment provision of prepayments, deposits and other receivables *(Note 12)*	**226,136**	138,841
Impairment provision of loan receivables *(Note 13)*	**40,968**	300
Provision for/(reversal of) write-down of inventories to net realisable value *(Note 15)*	**28,180**	(108,439)
Auditors' remuneration	**5,281**	5,922
Rental fee	**192,490**	264,546
Others	**307,215**	295,027
Total	**32,293,527**	35,629,718

5. OTHER INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Rental income arising from investment properties	**2,363**	2,903
Income from other operating leases	**27,580**	20,033
Investment income from financial assets at fair value through profit or loss	**50,419**	–
Others	**10,556**	13,022
Total	**90,918**	35,958

6. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Gains of raw materials and by-products	**2,368**	67,476
Government grants	**61,904**	19,205
Impairment of property, plant and equipment *(Note 11)*	**(79,053)**	(3,600)
Provision for legal claims	**(50,778)**	(22,754)
Gain on disposal of property, plant and equipment	**2,634**	2,434
Gain on disposal of an associate	**50,000**	–
Foreign exchange (losses)/gains – net	**(33,631)**	969
Gain on repurchase of senior notes	**–**	76,561
Gain on written-off of long aging payables	**–**	21,398
Impairment of available-for-sale financial assets	**(23,845)**	–
Others	**1,862**	2,460
Total	**(68,539)**	164,149

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interest expenses		
– borrowings	**(470,407)**	(514,364)
– amounts due to related parties	**(17,279)**	(3,117)
– discount of notes receivable	**(302)**	(16,112)
– finance lease liabilities	**(7,327)**	(37,697)
Net foreign exchange gains on borrowings	**217,072**	7,264
Finance costs	**(278,243)**	(564,026)
Less: amounts capitalised as qualifying assets	**96,517**	64,853
Total finance costs	**(181,726)**	(499,173)
Interest income		
– bank deposits	**39,224**	35,828
– trade receivables	**35,185**	36,298
– prepayments, deposits and other receivables	**50,689**	21,868
– amount due from related parties	**5,255**	7,991
– loan receivables	**54,925**	43,194
Total finance income	**185,278**	145,179
Finance income/(costs) – net	**3,552**	(353,994)

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax (the "EIT")	**269,360**	182,220
– Singapore profit tax	**1,757**	5,755
	271,117	187,975
Deferred income tax	**(84,804)**	(8,396)
	186,313	179,579

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

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

No Hong Kong profits tax has been provided since the subsidiaries incorporated or traded in Hong Kong do not have assessable profits during the year (2012: nil).

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

The PRC 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 PRC (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 the 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") was 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. The effective rate of Jinxi Jinlan for the year ended 31 December 2013 was 25% (2012: 12.5%).

For the year ended 31 December 2013, Hebei Jinxi Iron and Steel Group Dafang Heavy Industry Science and Technology Co. Limited ("Jinxi Dafang") was recognised as a High Technology Enterprise by the Administration of the Recognition of High-tech Enterprises of Hebei Province, the PRC. Under the New EIT Law, as a High Technology Enterprise, Jinxi Dafang was entitled to preferential corporate tax rate of 15% (2012: 25%).

Other than above-mentioned entities, all other subsidiaries of the Group incorporated in the PRC are subject to the tax rate of 25% in year 2013 (2012: 25%).

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average applicable tax rate of 27.35% (2012: 25.51%) to respective profits of the consolidated entities for the years ended 31 December 2013 and 2012 as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**249,341**	326,056
Taxation calculated at statutory tax rate	**68,195**	83,178
Effect of change in tax rate	**939**	–
Tax losses for which no deferred income tax asset was recognised	**69,101**	53,349
Withholding tax of interest and dividend income	**24,743**	15,096
Effect of non-deductible expenses	**23,335**	27,956
	186,313	179,579

9. EARNINGS PER SHARE

Basic

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**101,609**	126,062
Weighted average number of ordinary shares in issue *(thousands)*	**2,931,178**	2,930,194
Basic earnings per share *(RMB per share)*	**0.03**	0.04

Diluted

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**101,609**	126,062
Weighted average number of ordinary shares in issue used in calculating basic earnings per share *(thousands)*	**2,931,178**	2,930,194
Adjustments for options *(thousands)*	**117**	6,730
Weighted average number of ordinary shares and potential ordinary shares issued as the denominator in calculating diluted earnings per share *(thousands)*	**2,931,295**	2,936,924
Diluted earnings per share *(RMB per share)*	**0.03**	0.04

10. DIVIDENDS

At a meeting held on 21 March 2014, the Board did not recommend the payment of any final dividend in respect of the year ended 31 December 2013 (2012: nil).

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

11. CAPITAL EXPENDITURE

	Leasehold land and land use rights *RMB'000*	Property, plant and equipment *RMB'000*	Investment properties *RMB'000*	Intangible assets *RMB'000*
Year ended 31 December 2013				
Opening carrying amount as at 1 January 2013	**133,723**	**9,039,970**	**15,178**	**8,629**
Additions	**–**	**1,247,321**	**–**	**209**
Disposals	**–**	**(2,317)**	**–**	**–**
Depreciation and amortisation *(Note 4)*	**(3,405)**	**(1,045,516)**	**(806)**	**(78)**
Impairment *(Note 6)*	**–**	**(79,053)**	**–**	**–**
Closing carrying amount as at 31 December 2013	**130,318**	**9,160,405**	**14,372**	**8,760**
Year ended 31 December 2012				
Opening carrying amount as at 1 January 2012	137,128	8,395,398	15,984	8,530
Additions	–	1,630,324	–	124
Disposals	–	(38,443)	–	–
Depreciation and amortisation *(Note 4)*	(3,405)	(943,709)	(806)	(25)
Impairment *(Note 6)*	–	(3,600)	–	–
Closing carrying amount as at 31 December 2012	133,723	9,039,970	15,178	8,629

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2013 *RMB'000*	2012 *RMB'000*
Non-current		
Prepayments for purchase of property, plant and equipment	**234,235**	456,058
Receivables from operating leases	**–**	77,533
Less: impairment provision of prepayments, deposits and other receivables *(Note 4)*	**(234,235)**	(77,533)
	–	456,058
Current		
Prepayments for purchase of inventories	**1,330,241**	1,208,632
Deposits and other receivables	**497,508**	605,665
Receivables from operating lease, current portion	**–**	32,617
Prepaid expense	**13,918**	23,621
Less: impairment provision of prepayments, deposits and other receivables *(Note 4)*	**(41,897)**	(82,613)
	1,799,770	1,787,922
	1,799,770	2,243,980

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

13. LOAN RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non-current		
Long-term loan receivable (a)	**–**	300,000
Current		
Long-term loan receivable – current portion (a)	**300,000**	–
Loan receivables (b)	**104,500**	80,000
Less: impairment provision (c) *(Note 4)*	**(41,268)**	(300)
	363,232	79,700
Total loan receivables	**363,232**	379,700

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

(a) The entrusted long-term loan receivable of RMB 300 million (2012: RMB 300 million) is secured by a pledge of certain property, plant and equipment of the borrower, bears interest at a rate of 12% per annum and will be repaid in full in July 2014.

(b) Among the current loan receivables totalling RMB 104.5 million (2012: RMB 80 million) as at 31 December 2013, RMB 85 million comprised various loans of individual amount ranging from RMB 3 million to RMB 40 million (2012: RMB 10 million to RMB 50 million), which were secured by the pledged of property, plant and equipment of the borrowers or guarantees of the borrowers or other parties and interest bearing at rates ranging from 19.8% to 24% (2012: 16.8% to 20%) per annum. The remaining balance of RMB 20 million of the current loan receivables were unsecured and bearing interest at a rate of 20% per annum.

(c) As at 31 December 2013, RMB 40 million loan receivables from third parties were past due, of the which RMB 20 million are guaranteed by third parties and RMB 20 million are secured by trade receivables of the borrowers and a third party. These loan receivables have been fully provided for impairment by the Directors of the Company given that the borrowers were in significant financial difficulty and had defaulted in a scheduled payment subsequently and there was significant uncertainty of recovering the loan receivables.

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

14. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Properties under development comprise:		
– Construction costs	**290,061**	140,828
– Land use rights	**428,477**	136,268
– Interests capitalised	**31,282**	5,847
	749,820	282,943
Completed properties held for sale	**130,748**	105,070
	880,568	388,013

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

15. INVENTORIES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials and materials in-transit	**2,304,221**	2,239,405
Work-in-progress	**378,046**	259,445
Finished goods	**1,007,700**	693,708
	3,689,967	3,192,558

As at 31 December 2013, inventories with a net book value of RMB 152 million (2012: RMB 122 million) and RMB 131 million (2012: nil) were pledged as security for the Group's notes payable (Note 17) and bank borrowings respectively.

As at 31 December 2013, inventories with a net book value of approximately RMB 40.5 million (2012: nil) were withheld by and in custody of a court.

The cost of inventories recognised in cost of sales for the year ended 31 December 2013 amounted to RMB 31,415 million (2012: RMB 34,720 million).

The Group recognised a loss of RMB 28 million (2012: nil) (Note 4) for the year ended 31 December 2013, in respect of the write-down of inventories to net realisable values. During the year ended 31 December 2012, the Group recognised a gain of RMB 108 million in respect of the reversal of provisions made on inventories in the previous year. These amounts have been included in "cost of sales" in the consolidated income statement.

16. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non-current		
Long-term trade receivables *(a)*	–	576,155
Current		
Trade receivables	**685,005**	550,827
Long-term trade receivables – current position *(a)*	**435,555**	–
Less: impairment provision for trade receivables *(Note 4)*	**(9,807)**	(3,069)
Trade receivables – net	**1,110,753**	547,758
Notes receivable *(b)*	**3,449,103**	5,702,736
	4,559,856	6,250,494
Total of trade and notes receivables, net of provision	**4,559,856**	6,826,649

(a) The long-term trade receivables as at 31 December 2012 amounting to RMB 576 million represented receivables due from a third party for the provision of construction services. The trade receivables are repayable within two years and bear interest at a rate of 6.3% per annum. During the year ended 31 December 2013, trade receivables amounting to approximately RMB 140 million had been repaid by a third party and the remaining balance will be due for repayment in October 2014.

(b) As at 31 December 2013, notes receivable were all bank acceptance notes. Out of the total balance, approximately RMB 219 million (2012: RMB 853 million) and RMB 1,079 million (2012: RMB 1,347 million) were pledged as security for the Group's notes payable (Note 17) and borrowings, respectively.

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

The fair values of trade receivables approximated their carrying amounts, as the impact of discounting is not significant.

Except for the trade receivables as mentioned in note (a) above, the credit policy usually adopted by the Group for the sales of products to customers is to deliver goods either upon receipt in cash or upon receipt of bank acceptance notes with the maturity dates within six months.

As at 31 December 2013 and 2012, the ageing analysis of the gross amount of trade and notes receivables was as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**2,329,917**	3,538,113
4-6 months	**1,754,991**	3,254,352
7-12 months	**49,200**	37,253
Over 1 year	**435,555**	–
	4,569,663	6,829,718

As at 31 December 2013, trade receivables amounting to RMB 403 million (2012: RMB 214 million) were secured by letters of credit issued by third party customers and these amounting to RMB 436 million (2012: RMB 576 million) were secured by the pledge of property, plant and equipment of a third-party customer.

As at 31 December 2013, trade receivables of RMB 147 million (2012: RMB 212 million) were past due, of which amounting to RMB 10 million (2012: RMB 3 million) were fully impaired. The remaining balances of these receivables were past due but not impaired which related to a number of independent customers with no recent history of default.

The ageing analysis of these trade receivables was as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**146,564**	211,914

17. TRADE PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Account payables	**2,279,265**	2,235,577
Notes payable	**1,242,125**	1,443,008
	3,521,390	3,678,585

As at 31 December 2013, all notes payable represented bank acceptance notes, of which RMB 219 million (2012: RMB 747 million) were secured by certain notes receivable (Note 16), RMB 833 million (2012: RMB 557 million) were secured by certain restricted bank balances, and RMB 190 million (2012: RMB 139 million) were secured by certain inventories (Note 15) and certain restricted bank balances.

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**2,656,282**	2,380,585
4-6 months	**696,399**	1,230,563
7-9 months	**77,508**	15,545
10-12months	**28,260**	11,584
Over 1 year	**62,941**	40,308
	3,521,390	3,678,585

18. FINANCIAL GUARANTEE CONTRACTS

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Guarantee for bank borrowings of third parties	**21,157**	30,019

As at 31 December 2013, Hebei Jinxi Iron and Steel Group Company Limited provided guarantee for bank borrowings in favour of third parties amounting to approximately RMB 21 million (2012: RMB 30 million). The fair values of these financial guarantee contracts are not significant.

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

19. COMMITMENTS

(a) Capital and Properties Under Development Commitments

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Purchase of property, plant and equipment		
– Contracted but not provided for	**260,644**	205,865
– Authorised but not contracted for	**238,508**	65,729
	499,152	271,594
Purchase of properties under development	**244,350**	291,418
	743,502	563,012

(b) Operating Lease Commitments

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
No later than one year	**145,537**	188,355
Later than one year and no later than five years	**35,193**	33,321
Later than five years	**137,784**	153,934
	318,514	375,610

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2013. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the global economy remained volatile and the Mainland China domestic economic growth rate declined as compared with that of the previous year. The weak demand for steel in Mainland China led to a significant decrease in the price of steel products of the Group for the year ended 31 December 2013 as compared with the previous year. On the other hand, the sluggish steel market resulted in the impairment and provisions to be made against certain assets of the Group. As a result, the Group recorded revenue and net profit of approximately RMB 32.5 billion and approximately RMB 63.0 million respectively in 2013, a decrease of 10.0% and 57.0% as compared with those of the prior year respectively. The profit attributable to owners of the Company amounted to RMB 101.6 million, a decrease of 19.4% as compared with that of prior year.

With respect to the steel business, the Group has been actively taking measures to enhance our competitiveness in this sector. With our endeavor to the research and development of new products, the Group has successfully launched the steel pile sheet products by end of 2013 and applied the products to the major projects along the coastal area of certain provinces of the PRC. Such product was received a high apprasial with its application to the projects. It is believed that such new products will contribute a significant revenue to the Group in 2014. In addition, the Group has sold approximately 3,084,000 tonnes of self-manufactured H-section steel products in 2013 and continued to be a market leader in the PRC for H-section steels. The Development Plan for the Steel Industry of the PRC clearly stipulates that steel plates and H-section steel with high intensity, shock resistance, fire resistance and weather-proof as well as the high-intensity rebar would be the major elements contributing to the improvement of construction sector, which in turn provided a favorable opportunity for the product development of the Group. Furthermore, after upgrading the production facilities of the Group by Oriental Green Energy-Saving Environmental Protection Engineering Co. Ltd., an indirect non-wholly owned subsidiary of the Company, which has obtained high recognition in the industry in terms of energy-saving and environmental protection technologies, the self-generated electricity of the Group has reached 30% in 2013 which highly improved our operational efficiency. After the change of the senior management of Foshan Jin Xi Jin Lan Cold Rolled Sheet Company Limited ("Jinxi Jinlan") and further enhancing its internal control, the operating performance of Jinxi Jinlan has improved slightly as compared with that of 2012. Jinxi Jinlan is now undergoing a series of upgrading work which the Group believed that Jinxi Jinlan will achieve better performance soon.

In view of the current tough operating environment in the steel making industry, the Group considers that cautious involvement in other industries will support the return to the shareholders of the Company (the "Shareholders"). Therefore, the Group started to explore other potential business opportunities in order to promote the long-term growth of the Group's results.

With respect to the real estate business, the Group had completed gross floor area ("GFA") of 19,646m^2 of the second phase of the property development project namely "Donghu Bay" which is located in Tangshan City, Hebei Province, the PRC and recorded revenue and operating profit from real estate business of approximately RMB 112.9 million and RMB 3.4 million respectively for the year ended 31 December 2013. The whole of the second phase of the Donghu Bay project is expected to be completed in 2014. In addition, the Group had commenced the preliminary development of the parcels of land namely "Xintiandi" which are located in Suzhou City, the PRC with total construction GFA of approximately 105,000 square meters. The residential and basement part and the commercial and office part of the Xintiandi project is expected to be completed in October 2015 and December 2016 respectively.

The Group will also actively promote the usage of environmental friendly construction and to develop, introduce and utilise the upgraded H-section steel which can be used in the property development.

For the year ended 31 December 2013, the revenue and gross profit arising from trading of steel products and iron ore were approximately RMB 5,735.9 million (2012: approximately RMB 4,131.2 million) and approximately RMB 100.2 million (2012: approximately RMB 79.1 million) respectively.

The Group also engages in financing industry through its subsidiaries, Oriental Evertrust Finance Leasing Co., Ltd. ("Oriental Evertrust") and Tianjin Oriental Huitong Microcredit Company Limited ("Oriental Huitong"). As at 31 December 2013, Oriental Evertrust and Oriental Huitong provided loans amounting RMB 404.5 million to independent third parties at interest rates ranged from 12% to 24% per annum.

Since the Group introduced the world's largest steel corporation ArcelorMittal as its strategic shareholder in 2008, collaboration between the Group and ArcelorMittal has grown considerably. ArcelorMittal not only appointed experienced executives to the Board of the Group to participate in decision making for the Group's business development but also sent technicians and management staff to our production sites to inspect our operations and provide professional advice.

On 6 November 2013, the Company was informed by Wellbeing Holdings Limited, Chingford Holdings Limited and Mr. HAN Jingyuan (together, the "Plaintiffs") that a Writ of Summons has been issued by the Plaintiffs against ArcelorMittal, pursuant to which, the Plaintiffs sought an order that ArcelorMittal procure that ArcelorMittal Holdings AG (formerly known as Mittal Steel Holdings AG) ("Mittal Steel") sell a sufficient number of shares of the Company such that the Company's 25% minimum public float requirement pursuant to Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") (the "Minimum Public Float") is restored. Further details of the above have been disclosed in the announcement of the Company dated 7 November 2013.

Based on the current information available, the Company is of the view that the Writ of Summons should not have any material adverse impact on the Company's operation or financial position.

Business review

Sales analysis from sale of self-manufactured steel products

Sales Volume

In 2013, the total sales volume was 8,665,000 tonnes (2012: 9,418,000 tonnes), representing a decrease of approximately 8.0%.

The sales volume breakdown during the year was as follows:

	2013 Sales volume *('000 tonnes)*		2012 Sales volume *('000 tonnes)*		Changes in Sales volume *Increase/ (Decrease)*
H-section steel products	**3,084**	**35.6%**	3,288	35.0%	(6.2%)
Strips and strip products	**3,752**	**43.3%**	3,800	40.3%	(1.3%)
Billets	**926**	**10.7%**	1,424	15.1%	(35.0%)
Cold rolled sheets and galvanised sheets	**316**	**3.6%**	484	5.1%	(34.7%)
Rebar	**587**	**6.8%**	422	4.5%	39.1%
Total	**8,665**	**100%**	9,418	100%	(8.0%)

During the year of 2013, the Group's production capacity is 11 million tonnes per annum.

Revenue

Revenue in 2013 was RMB 26,466.2 million (2012: RMB 31,329.9 million), representing a decrease of approximately 15.5%.

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

	2013		2012		Changes	
	Revenue *(RMB million)*	**Average selling price** *(RMB/tonne)*	Revenue *(RMB million)*	Average selling price *(RMB/tonne)*	Revenue *Increase/(Decrease)*	Average selling price
H-section steel products	**9,897**	**3,209**	11,404	3,469	(13.2%)	(7.5%)
Strips and strip products	**10,993**	**2,930**	12,233	3,219	(10.1%)	(9.0%)
Billets	**2,540**	**2,743**	4,236	2,974	(40.0%)	(7.8%)
Cold rolled sheets and galvanised sheets	**1,326**	**4,196**	2,069	4,275	(35.9%)	(1.8%)
Rebar	**1,710**	**2,913**	1,388	3,290	23.2%	(11.5%)
Total/combined	**26,466**	**3,054**	31,330	3,327	(15.5%)	(8.2%)

The decrease in revenue was mainly due to the slowdown of the investment in steel related industries and the imbalance between the demand and the supply of the steel production capacity in Mainland China which led to a decrease in the Group's average selling price by 8.2% to RMB 3,054 per tonne in 2013 from RMB 3,327 per tonne in 2012.

Cost of Sales and Gross Profit

The consolidated gross profit in 2013 was RMB 867.8 million (2012: RMB 932.5 million), representing a decrease of 6.9%.

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

	2013			2012		
	Average unit cost *(RMB/tonne)*	**Gross profit/(loss) per tonne** *(RMB)*	**Gross profit/(loss) margin**	Average unit cost *(RMB/tonne)*	Gross profit/(loss) per tonne *(RMB)*	Gross profit/(loss) margin
H-section steel products	**3,057**	**152**	**4.7%**	3,298	170	4.9%
Strips and strip products	**2,819**	**111**	**3.8%**	3,107	113	3.5%
Billets	**2,714**	**29**	**1.1%**	2,990	(16)	(0.5%)
Cold rolled sheets and galvanised sheets	**4,350**	**(154)**	**(3.7%)**	4,413	(138)	(3.2%)
Rebar	**2,907**	**6**	**0.2%**	3,209	81	2.5%
Total	**2,954**	**100**	**3.3%**	3,228	99	3.0%

The gross profit per tonne in 2013 was RMB 100 representing an increase of approximately 1.0% as compared to that of RMB 99 in 2012. Gross profit margin increased to 3.3% in 2013 from 3.0% in 2012. Increase in gross profit margin was primarily because the Group produced more percentage of high gross profit margin products in 2013 as compared with that of 2012.

Property Development

In 2013, the Group had completed GFA of 19,646 m^2. The status of the completed GFA by project is set out in the following table.

No.	**City**	**Property project**	**Phase of project**	**Total GFA** *(m^2)*
1	Tangshan	Donghu Bay	Phase 2 Villa	19,646

For the year ended 31 December 2013, the revenue from real estate business of the Group amounted to approximately RMB 112.9 million. The GFA of properties delivered was 17,481 m^2. The average selling price of properties delivered was approximately RMB 6,458 per m^2.

As at 31 December 2013, the Group had the following projects under construction with a GFA of approximately 240,000 m²:

No.	City	Property project	Phase of project	GFA under Construction *(m^2)*	Estimate time of completion
1	Tangshan	Donghu Bay	Phase 2	135,226	December 2014
2	Suzhou	Xintiandi	Residential and basement	39,691	October 2015
3	Suzhou	Xintiandi	Commercial and office	65,670	December 2016

The above projects are expected to be completed from 2014 to 2016 and will contribute stable revenue and profits to our Group.

Financial Review

Liquidity and Financial Resources

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

As at 31 December 2013, the Group had unutilised banking facilities of approximately RMB 12.5 billion (2012: RMB 10.5 billion).

As at 31 December 2013, the current ratio of the Group, representing current assets divided by current liabilities, was 1.5 (2012: 1.3) and the gearing ratio, representing total liabilities divided by total assets, was 59.1% (2012: 61.4%).

As at 31 December 2013, the cash and cash equivalents of the Group amounted to approximately RMB 968.1 million (2012: approximately RMB 879.0 million).

After considering its cash and cash equivalents as well as the banking facilities currently available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for general business expansion and development.

Capital Structure

As at 31 December 2013, borrowings of RMB 6,249.8 million of the Group bore fixed interest rates ranged from 1.2% to 8.0% per annum and borrowings of RMB 1,469.7 million of the Group bore floating rates ranged from 1.5% to 7.7% per annum. The Group's exposure to changes in market interest rates was considered to be limited. The Group did not use any derivatives to hedge its exposure to interest rate risk for the year ended 31 December 2013 and 2012.

Moreover, the majority of the borrowings of the Group as at 31 December 2013 were non-current borrowings.

The Group monitors its capital on the basis of the debt-to-capital ratio. This ratio is calculated as total debt divided by total capital. Total debt includes current and non-current borrowings, finance lease obligations and borrowings from related parties. The Group regards its non-current borrowings, non-current portion of its finance lease obligations and borrowings from related parties and its equity attributable to owners of the Company as its total capital. As at 31 December 2013, the debt-to-capital ratio of the Group was 58.9% (2012: 63.2%).

The consolidated interest expenses and capitalised interest in 2013 amounted to RMB 495.3 million (2012: RMB 571.3 million). The interest coverage (divide profit for the year before finance cost – net, income tax expense, non-recurring items and share-based payments by total interest expenses) was 1.1 times (2012: 1.1 times).

Capital Commitments

As at 31 December 2013, the Group had capital commitments of RMB 743.5 million (2012: RMB 563.0 million). It is estimated the capital commitments will be financed by the Group's internal resources and unutilised banking facilities.

Guarantee and Contingent Liabilities

As at 31 December 2013, the Group's contingent liabilities amounted to approximately RMB 21.2 million (2012: RMB 30.0 million), which was the provision of guarantee for bank borrowings in favor of a third party.

Pledge of Assets

As at 31 December 2013, the net book value of the Group's inventories amounting to approximately RMB 283.2 million (2012: approximately RMB 122.0 million), notes receivable amounting to approximately RMB 1,297.4 million (2012: approximately RMB 2,200.3 million) and restricted bank balances amounting to approximately RMB 1,582.8 million (2012: approximately RMB 1,087.0 million) had been pledged as security for issuing notes payable of the Group and the Group's banking facilities.

As at 31 December 2013, the net book value of the Group's inventories amounting to approximately RMB 40.5 million (2012: nil) and restricted bank balances amounting to approximately RMB 33.2 million (2012: RMB 22.8 million) were withheld by and in custody of the courts.

Exchange Risks

Foreign exchange risk is the risk to the Group's financial conditions and results of operations arising from movements of foreign exchange rates. The Group mainly operates in the Mainland China with most of the transactions denominated and settled in RMB. The Group's foreign exchange risk primarily arises from the procurement of iron ores and the relevant products from overseas suppliers and the Group's senior notes, which is denominated and settled in USD. Foreign exchange rates fluctuates in reaction to the macro-economic performance of different countries and fund flows between countries arising from trade or capital commitments. The Group has not used any derivatives to hedge its exposure to foreign exchange risk for the years ended 31 December 2013 and 2012.

Iron Ore Swaps

In view of the significant fluctuation of iron ore price in 2013, the Group has entered into iron ore swap contracts so as to reduce the impact of the volatility of the iron ore price on the Group. The Group uses a combination of iron ore derivatives to achieve the above purpose.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2013.

Post Balance Sheet Events

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

Accreditation for the Company and its Management

For the year ended 31 December 2013, Hebei Jinxi Iron and Steel Group Company Limited, the subsidiary of the Company, was awarded as "PRC Famous Trademark", and awarded as "Standard Research and Development Base of Section Steel" by National Technical Committee for Steel Standardization.

Human Resources and Remuneration Policies

As at 31 December 2013, the Group had a workforce of approximately 13,700 and temporary staff of approximately 4,100. The staff cost included basic salaries and benefits. Staff benefits included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc.. Effective from July 2008, the Group implemented a workers' injury insurance scheme and contributed 1.5% of the workers' wages to the Social Insurance Bureau. According to the Group's remuneration policy, employees' package is based on productivity and/or sales performance, and is consistent with the Group's quality control and cost control targets.

Future Prospects

In 2014, it is expected that the economic policies of the PRC government will remain in the same direction and focus on the stable growth. Following the strict national restrictions on environmental protection and safety policy, the obsolete steel and iron production capacity will be eliminated and the excess production of steel and iron will be reduced in the near future. As the Group has previously invested substantial resources to work on upgrading its production facilities with the targets to reduce energy consumption and emission, this will provide a favorable condition for the future development of the Group. The Group will be dedicated to maintaining our competitiveness through continuous improvement of its production efficiency, adjustments made to the steel and iron product mix and reduction of various production costs.

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

The Directors are also optimistic that the demand of steel products will stabilise in 2014 along with the growth in the construction projects by the PRC government such as the low-income housing and urbanisation planning. The Group will continue to tackle the challenges amidst uncertain economic environment and optimise its efficiency and profit margins through effective management and the continued collaboration of its customers.

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the equity holders. The Directors are of the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the "Listing Rules" throughout the year ended 31 December 2013, save for the following deviations:

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2013.

AUDIT COMMITTEE

During the year ended 31 December 2013, the audit committee of the Company ("Audit Committee") comprised four Independent Non-executive Directors for the period from 1 January 2013 to 29 April 2013 and comprised three Independent Non-executive Directors for the period from 30 April 2013 to 31 December 2013, namely Mr. WONG Man Chung, Francis as the Chairman of the Audit Committee and Mr. YU Tung Ho (resigned on 30 April 2013), Mr. WANG Tianyi and Mr. ZHOU Guoping as the members of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013 and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the annual report.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Suites 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Tuesday, 17 June 2014 at 9:30 a.m. Notice of the annual general meeting will be published and dispatched to the shareholders of the Company as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014 (both dates inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. The record date for the annual general meeting shall be 17 June 2014. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Monday, 31 March 2014) not later than 4:30 p.m. Thursday, on 12 June 2014.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR 2013

The annual results announcement of the Company for the year ended 31 December 2013 is published on both the websites of the Company (www.chinaorientalgroup.com) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2013 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

PUBLIC FLOAT

Reference was made to the announcement of the Company dated 30 December 2013, on 23 December 2013, the Board of the Company received a letter from the Stock Exchange (the "Letter") pursuant to which, it was stated, inter alia, that the Stock Exchange expressed its views on the pubic shareholding issue of the Company as follows:

(i) the current put option structure between Mittal Steel, ING Bank N.V. ("ING") and Deutsche Bank Aktiengesellschaft ("Deutsche Bank") would, after its expiry on 30 April 2014, no longer be acceptable as a measure to restore the Company's public float; and

(ii) the Company should engage its Shareholders and explore alternative mechanisms to restore its public float at its earliest opportunity.

In the Letter, the Stock Exchange further stated that it has reviewed the current put option structure between Mittal Steel, ING and Deutsche Bank and taken the view that such put option structure cannot address the issue of restoring the Minimum Public Float of the Company as a permanent measure. The current put option arrangement will expire on 30 April 2014. The Stock Exchange reiterates its position that, after 30 April 2014, it will no longer accept any arrangement similar to that of the current put option as a measure to restore the Company's public float. If the existing put options are exercised by ING and Deutsche Bank on 30 April 2014, the public float of the Company will revert to approximately 7.9% and the Stock Exchange would normally require trading suspension under Listing Rule 13.32(3) where an issuer's public float falls below 15%.

The Board is in the process of considering and identifying an appropriate option which it believes to be in the interests of the Company and its Shareholders as a whole.

As there is approximately one month away from April 2014, the Board shall continue to actively monitor and conduct constant discussions on the public float issue and the challenges involved. The Board will continue to take such action and step as may be appropriate in the circumstances with a view to be in compliance with the Listing Rules.

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

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

APPRECIATION

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

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

Hong Kong, 21 March 2014

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