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CHINA ORIENTAL 2005 INTERIM NET PROFIT SURGES BY ALMOST 40% ATTRIBUTABLE TO OPTIMISED SALES STRUCTURE

China Oriental Group Company Limited ("COGCL" or the "Group", stock code: 0581) announced its unaudited consolidated turnover and profit attributable to equity holders of the Company for the six months ended 30 June 2005 were RMB4,726 million and RMB613 million respectively, representing increases of 15.4 per cent and 39 per cent respectively when compared with those of the same period of the previous year. During the period under review, the Group's basic earnings per share for profit attributable to the equity holders of the Company were RMB0.21 (2004 same period: RMB 0.17).

COGCL's board of directors resolved not to declare an interim dividend for the year 2005 (2004 same period: 3 HK cents per share).

In the face of macroeconomic austerity measures, COGCL timely optimised its sales structure, effects of which were reflected in the Group's satisfactory results during the period under review. The Group strove to enhance the sales volume of its high value-added strips and strip products, which increased by 1.2 times to 900,000 tonnes from that of the same period of the previous year and accounted for 58 per cent of the Group's total sales volume. In addition, the satisfactory increase in the selling price of strips and strip products between January and April resulted in the increase of average selling price and gross profit of strips and strip products to RMB3,237 per tonne (excluding value-added tax or VAT) and RMB679 per tonne respectively, representing increases of 21.1 per cent and 1.2 times respectively when compared with those of the same period of the previous year.

During the period under review, the sales of the Group amounted to approximately RMB4,730 million, in which strips and strip products and billets accounted for 62 per cent and 38 per cent respectively.

During the period under review, sales volume of billets, another main product of China Oriental, amounted to approximately 665,000 tonnes and accounted for 42 per cent of the Group's total sales volume. The average selling price and gross profit of billets were RMB2,689 per tonne (excluding VAT) and RMB318 per tonne respectively, representing increases of 4.3 per cent and approximately 4 per cent respectively when compared with those of the same period of the previous year.

COGCL's average costs of sales of strips and strip products and billets were RMB2,558 per tonne and RMB2,371 per tonne respectively, representing increases of 8.4 per cent and 4.4 per cent respectively when compared with those of the same period of the previous year.

Foshan Jin Xi Jin Lan Cold Rolled Sheet Co., Ltd. ("Jin Xi Jin Lan"), a subsidiary in which COGCL owned 60 per cent of equity interests, commenced production in May 2005. When the production operation of Jin Xi Jin Lan becomes mature, the annual production capacity of cold rolled sheets will be between

approximately 250,000 tonnes and 400,000 tonnes (depending on the specifications of the product produced), while that of galvanised sheets will be between approximately 150,000 tonnes and 180,000 tonnes (depending on the specifications of the product produced). As Jin Xi Jin Lan is still in the trial production and initial market development stage, its earning potential has yet to be fully reflected in the Group's results.

In addition, the Group announced the investment of RMB1.3 billion in the construction of a new, large-scale H-section steel rolling line with an annual production capacity of approximately 1 million tonnes. The line is expected to commence production in the second quarter of 2006.

"Looking ahead, the Group expects that the oversupply in the overall iron and steel market will continue in the second half of the year. However, the Group believes the development of the steel product market in China will remain stable, given that steel product prices had significantly dropped during the period under review, the effects of the State's macroeconomic austerity measures began to reflect, and the Chinese economy has been sustaining stable development," said Mr Han Jingyuan, Chairman and Chief Executive Officer of COGCL.

Balance between demand for and supply of coke and iron powder, the Group's two principal raw materials, is expected to appear. Therefore, raw material prices are expected to experience only minor adjustments.

"In view of the increasing severe competition in the steel industry, the Group will continue to optimise its product mix and intensify its efforts in the research and development of new products so as to generate higher returns for its shareholders," added Mr Han.

About COGCL

Listed on 2 March 2004, COGCL is one of China's largest suppliers of steel billets. The Group is also one of China's most efficient iron and steel producers. COGCL's plant is located in one of the richest iron ores in Hebei Province with proximity to deep-water ports and railways. Such quality geographical location ensures the reliability and stability of access to raw materials as well as the supply and transportation of products. The Group's products are mainly sold in China to downstream iron and steel manufacturers, who are all located in northern China and further process billets and strips into downstream steel products primarily used in the construction and machinery manufacturing industries. In addition, COGCL is developing other high value-added products such as, H-section steel, cold rolled sheets and galvanised sheets as a way to diversify the iron and steel product mix and achieve business integration.

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(Attached is the COGCL's Unaudited Condensed Consolidated Income Statement for the Six Months Ended 30 June 2005)

China Oriental Group Company Limited
(Stock Code: 0581)

Unaudited Condensed Consolidated Income Statement
for the Six Months Ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Sales	4,726,083	4,093,974
Cost of goods sold	(3,899,927)	(3,608,542)
Gross profit	826,156	485,432
Other gains – net	35,793	19,156
Selling and marketing costs	(4,388)	(3,006)
Administrative expenses	(72,346)	(54,956)
Operating profit	785,215	446,626
Finance costs	(53,828)	(32,211)
Share of profit of associates	104	3,889
Profit before income tax	731,491	418,304
Income tax expense	(108,862)	33,686
Profit for the period	622,629	451,990
Attributable to:		
Equity holders of the Company	612,989	441,262
Minority interests	9,640	10,728
	622,629	451,990
Earnings per share for profit attributable to the equity holders of the Company during the period		
- basic	RMB0.21	RMB0.17
- diluted	N/A	N/A