

Contact: Shiu Ka Yue/ Lorna Wong
Tel: 2801 6239 (9029-1865/ 9086-8623)

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CONTRIBUTION FROM H-SECTION STEEL FURTHER ENHANCES PROFITABILITY CHINA ORIENTAL'S 2007 INTERIM NET PROFIT SURGES BY 33.7% TO RMB788 MILLION

China Oriental Group Company Limited ("China Oriental" or the "Company", stock code: 581) today announced that the unaudited consolidated revenue of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2007 was RMB6,648 million, representing an increase of 39.3 per cent when compared with that of the corresponding period of last year. The profit for the period hit RMB 788 million, representing an increase of 33.7 percent from that of the corresponding period. The profit attributable to equity holders of the Company during the period amounted to RMB769 million, representing an increase of 31.5 per cent when compared with that of the corresponding period of 2006. Basic earnings per share were RMB0.26, representing an increase of 30 per cent when compared with that of the first half of 2006. Gross profit increased by 36.7 per cent from the corresponding period of 2006.

The Board has resolved to declare an interim dividend of HK\$0.055 per share (2006 corresponding period: HK\$ 0.01) for the year ending 31 December 2007 under the condition that the Company obtains a ruling from the Executive of the Securities and Futures Commission that the interim dividend will not constitute a frustrating action under Rule 4 of the Takeovers Code.

During the period, China Oriental successfully enhanced its profitability by continuing fine-tuning its product mix. During the six months ended 30 June 2007, the sales volume from strips and strip-related products and H-section steel with relatively higher profit margin accounted for 91.5 per cent of the Group's total sales volume. In addition, the profitability of the Group's H-section steel further enhanced, which also contributed to the satisfactory results.

"During the period under review, despite an increase in the cost of sales per tonne, which was caused by an upsurge in the average purchasing prices of iron powder and coke, the Group continued to closely follow the market trend and insisted on implementing a product mix optimising strategy," said Mr Han Jingyuan, Chairman and Chief Executive Officer of China Oriental.

In the first six months of 2007, the Group sold approximately 1,373,000 tonnes of strips and strip-related products and approximately 113,000 tonnes of billets. Revenue from strips and strip-related products and billets amounted to RMB3,878 million and RMB284 million, respectively. The revenue from strips and strip-related products accounted for 58.3 per cent of the total sales revenue.

As at 30 June 2007, H-section steel's annual production capacity was 1.3 million tonnes. During the six months ended 30 June 2007, the sales volume of H-section steel reached

approximately 632,665 tonnes, with a revenue of approximately RMB2,103 million, accounting for 28.9 per cent and 31.6 per cent of the total sales volume and total sales revenue, respectively.

During the six months ended 30 June 2007, the average selling prices (excluding value-added tax) of the Group's billets, strips and strip-related products and H-section steel were RMB2,519 per tonne, RMB2,825 per tonne and RMB3,325 per tonne respectively. The average selling prices of billets and strips and strip-related products represented increases of 8.1 per cent and 10.7 per cent, respectively, from those of the corresponding period of last year. As H-section steel is a new product, there was no comparable figure for this product for the period under review. In July 2007, the unaudited average selling prices of billets, strips and strip-related products and H-section steel were RMB2,383 per tonne, RMB2,951 per tonne and RMB3,517 per tonne, respectively.

In the first half of 2007, the gross profit of billets, strips and strip-related products and H-section steel were RMB300 per tonne (2006 corresponding period: RMB374 per tonne), RMB430 per tonne (2006 corresponding period: RMB484 per tonne) and RMB724 per tonne, respectively.

In the first six months of 2007, the Group not only witnessed substantial growth in production and sales volume, revenue, and gross profit, but also satisfactory improvement in product mix with H-section steel developed as its mainstream product, which greatly increased the Group's profitability.

With regard to raw material, the increase in production capacity in the iron and steel industry will drive demand for both domestic and imported iron powder in the PRC. As such, it is expected that the price of iron powder will continue to fluctuate at a high level. On the front of coke, owing to the consolidation of small coal mines, elimination of obsolete capacity as well as pressure from railway transportation, the coke price will also fluctuate at a high level.

"Through organic expansion, merger and acquisition, we aim to achieve an overall capacity of over 10 million tonnes by 2010. After years of development, in particular the optimisation of its product mix, Hebei Jinxi Iron and Steel Company Limited ("Jinxi Limited") has substantially increased its competitiveness and profitability, and is poised for rapid development. The Group will base on strengthening Jinxi Limited's fundamentals to actively participate in the consolidation of iron and steel industry, in order to achieve an overall capacity of over 10 million tonnes of steel." said Mr Han.

About China Oriental

Listed on 2 March 2004, the Group is one of China's most efficient iron and steel producers. China Oriental'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

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manufacturing industries. In addition, China Oriental is also engaged in the production of other downstream products, namely cold rolled sheets and galvanised sheets and H-section steel, as a way to diversify the iron and steel product mix and achieve business integration.

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(Attached is China Oriental's unaudited consolidated condensed income statement for the six months ended 30 June 2007)

China Oriental Group Company Limited
(Stock Code: 581)
Unaudited Consolidated Condensed Income Statement
For the Six months Ended 30 June 2007

	Unaudited	
	For the six months ended 30 June	
	2007	2006
	(RMB '000)	(RMB '000)
Revenue	6,648,045	4,773,687
Cost of sales	<u>(5,558,614)</u>	<u>(3,976,717)</u>
Gross profit	1,089,431	796,970
Other income	1,040	1,219
Distribution costs	(27,890)	(5,208)
Administrative expenses	(85,727)	(87,840)
Other expenses	(3,401)	(3,089)
Other (losses)/gains - net	<u>(10,773)</u>	<u>10,999</u>
Operating profit	962,680	713,051
Finance income	5,293	12,767
Finance costs	<u>(30,664)</u>	<u>(23,169)</u>
Finance costs - net	(25,371)	(10,402)
Share of loss of an associate	<u>(625)</u>	<u>(2,368)</u>
Profit before income tax	936,684	700,281
Income tax expense	<u>(148,472)</u>	<u>(110,759)</u>
Profit for the period	<u>788,212</u>	<u>589,522</u>
Attributable to:		
Equity holders of the Company	768,881	584,665
Minority interest	<u>19,331</u>	<u>4,857</u>
	<u>788,212</u>	<u>589,522</u>
Earnings per share for profit attributable to equity holders of the Company during the period		
- Basic	<u>RMB 0.26</u>	<u>RMB 0.20</u>
- Diluted	<u>RMB 0.26</u>	<u>RMB 0.20</u>
Dividend	RMB 154,864	RMB 29,730