

Contact: Shiu Ka Yue/ Lorna Wong/ Bryan Bian  
Tel: 2801 6239 (90291865/ 90868623/ 96307030)

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## **CHINA ORIENTAL'S 2009 NET PROFIT REACHED RMB884 MILLION LEVERAGING OPTIMISED PRODUCT MIX**

Continuing the growth momentum in the first half of 2009, China Oriental Group Company Limited ("China Oriental" or the "Group", stock code: 581) achieved a total revenue and profit attributable to equity holders of the Company of RMB20.6 billion and RMB884 million respectively for the year ended 31 December 2009, representing increases of 6 per cent and 1,909 per cent respectively from those of the previous year. Basic earnings per share were RMB 30 cents (2008: RMB2 cents).

The growth in revenue was mainly due to increase in sales volume during the year under review and rebound in the selling price after it hit rock bottom at the end of 2008. The Group's sales volume increased from 4.534 million tones in 2008 to 6.948 million tones in 2009.

The board of directors recommended the payment of a final dividend of 8.6 cent per share for the year ended 31 December 2009 (2008: nil).

During the year under review, the Group's gross profit and gross profit margin rose by 288 per cent and 7.0 percentage points to RMB2,006 million and 9.7 per cent when compared with those of 2008. The increase in gross profit margin was mainly attributable to the Group's swift response to market changes and timely capturing of the opportunities arising from insufficient supply of billets in the market. During the year under review, China Oriental significantly increased the billet output of its subsidiary Tangshan Fengrun Qu Zhengda Iron and Steel Company Limited through acquisition and leasing arrangement and increased the sales of billet.

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

In addition to expanding production capacity, the Group had also made progress in new high-end product development. Mr Han Jingyuan, Chairman and Chief Executive Officer of China Oriental, said: "The annual production capacity of H section steel reached 3 million tonnes, which had further consolidated the Group's position as one of the largest H section steel production centres in China. Moreover, the hot rolled H section steel used for steel pole supporting overhead contact wires for electric railway developed by the Group in 2009 also generates greater economic benefits for the Group."

Jin Xi Jin Lan Cold Rolled Sheet Company Limited enhanced its production capacity to 500,000 tonnes, following the Group's increase of its shareholding to 81.5%, and produced extremely thin steel sheets, which were supplied to high-end electronic consumer products manufacturers and thus had a higher competitive edge in the market, and continued to improve its operation efficiency.

For the year ended 31 December 2009, the Group sold 2.46 million tonnes of H-section steel, with a revenue of approximately RMB7,405 million, representing increases of 101 per cent and 33 per cent when compared with those of the previous year respectively, and accounting for 35.4 per cent and 36.0 per cent of total sales volume and total revenue respectively.

In addition, the Group's revenue from billets amounted to RMB3,624 million, accounting for 17.6 per cent of the total revenue; revenue from strips and strip-related products and cold rolled sheets and galvanised sheets amounted to RMB8,406 million and RMB1,142 million respectively, accounting for approximately 40.8 per cent and 5.6 per cent of total revenue respectively.

The average selling price (excluding value-added tax) of billets, strips and strip-related products, H-section steel, cold rolled sheets and galvanised sheets for year 2009 was RMB2,703 per tonne, RMB2,938 per tonne, RMB3,011 per tonne and RMB3,990 per tonne respectively. The gross profit of billets, strips and strip-related products, H-section steel, cold rolled sheets and galvanised sheets reached RMB242 per tonne, RMB342 per tonne, RMB285 per tonne and RMB2 per tonne respectively.

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

Commenting on the future direction of China Oriental, Mr Han said: "In line with the State's steel policy of industry consolidation, the Group will proactively participate in mergers and restructuring, in an attempt to enhance its overall annual production capacity to over 10 million tonnes in 2010. Meanwhile the Group will focus on adjusting its product mix, and develop new downstream products with high added value (such as sheet piles, rails, special section steel), and will also actively identify appropriate business opportunities from the upstream and downstream sectors, thereby creating new growth drivers for the Group in the future and achieving further vertical integration."

## **About China Oriental**

Listed on the main board of the Hong Kong Stock Exchange on 2 March 2004, the Company is one of the PRC's most efficient iron and steel producers. ArcelorMittal, the world's largest steel conglomerate, became the strategic partner and substantial shareholder of the Company in 2007. The Group's products are mainly sold domestically, with its major customers based in Northern China. Customers of the Group are downstream steel manufacturers who further process billets and strips into downstream steel products, which are used mainly in the construction industry and for the manufacture of machinery. In addition, China Oriental also produces downstream products including H-section steel, which has a leading position in the industry, and other downstream products such as cold rolled sheets and galvanised sheets. China Oriental is an integrated iron and steel conglomerate.

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**(Attached China Oriental's audited consolidated income statement for the year ended 31 December 2009)**

## CHINA ORIENTAL GROUP COMPANY LIMITED

(Stock Code: 581)

### Consolidated Income Statement

For the Year Ended 31 December

Audited

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