

Contact: Shiu Ka Yue/ Fanny Chan/ Anita Wan/ Annice Chan Date: 29 August 2004
Tel: 2801 6239/ 2801 7393/ 2801 6237/ 2801 6095 Total 2 pages

CHINA ORIENTAL TO INVEST IN PRODUCTION LINE FOR LARGER SIZE H-SECTION STEEL TO PURSUE HIGHER VALUE-ADDED PRODUCTS STRATEGY

China Oriental Group Company Limited (“COGCL” or “the Group”, SEHK: 581) will invest to construct the production line capable of producing larger size H-section steel with a view to improving the Group’s product mix through a strategy of enhancing higher value-added products. The annual production capacity of the project will be approximately one million tonnes.

“The Group originally planned to produce medium size H-section steel. However, after our in-depth study, we believe that there are higher profit margins and demand for larger size H-section steel. As far as we aware, there are only a few companies which are able to produce larger size H-section steel in China, therefore, the production of larger size H-section steel will better realize the strategy of enhancing our product mix through higher value-added products,” said Mr Han Jingyuan, Chairman and Chief Executive Officer of COGCL.

H-section steel, a downstream steel product that requires more sophisticated production processes, is widely used in large-scale construction projects principally as structural supports. The rapid growth of the PRC economy, especially its construction industry, has significantly increased the demand for steel products including H-section steel and has led to a shortfall in the domestic supply of such product. Currently, there are only a few companies in China, which are able to produce larger size H-section steel.

According to the Prospectus, COGCL’s capital expenditure for the construction of H-section steel rolling line is RMB800 million. Due to changes in the Group’s plan from producing medium-size H-section steel to larger size H-section steel, the total capital expenditure for the project is estimated to be approximately RMB1,300 million, of which RMB800 million will be financed by listing proceeds, while the remaining RMB500 million will be financed by listing proceeds, available funds and/ or bank borrowing.

“We will continue to maintain our position as a cost-effective domestic steel producer in China. Given our strengths in high production capacity and economies of scale, the Group is very confident about its business development in the future and about bringing satisfactory returns to its shareholders,” said Mr Han in his concluding remarks.

About COGCL

Listed on 2 March 2004, China Oriental Group Company Limited is one of the China’s largest suppliers of steel billets. It sold approximately 2.42 million tonnes of steel products for the year ended 31 December 2003. The Group is one of China’s most efficient steel producers, backed by its strategic location in one of Hebei Province’s richest iron ore mining areas, which ensures easy and reliable access to raw materials and the plant’s proximity to railways and ports. The Group’s products are mainly sold domestically, and major customers are based in Northern China. Customers are downstream steel manufacturers that further process billets and strips into downstream steel products, which are used mainly in the construction industry and for the manufacturing of machinery.

- End -

Issued by: China Oriental Group Company Limited

Through: CorporateLink Limited