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**CHINA ORIENTAL'S 2008 FIRST HALF REVENUE
RECORDED STRONG INCREASES
BY 75%
EXCEEDED RMB10 BILLION**

China Oriental Group Company Limited ("China Oriental" or the "Group", stock code: 581) announced its unaudited consolidated interim results for the six months ended 30 June 2008. During the period under review, the consolidated revenue of the Group was approximately RMB11.65 billion, representing an increase of 75.2 per cent as compared with that of the corresponding period of 2007. Profit attributable to equity holders of the Company was RMB835 million, representing an increase of 8.7 per cent from that of the corresponding period of 2007. Basic earnings per share were RMB0.29, representing an increase of 11.5 per cent when compared with that of the corresponding period of 2007 (2007 1H: RMB0.26).

The board of directors proposed an interim dividend of HK\$0.065 per share for the six months ended 30 June 2008.

During the period under review, the Group continued to achieve satisfactory performance mainly due to its enhanced production capacity and increase in market demand, which led to an increase in the sales volume. During the period under review, the domestic and global demand of the iron and steel market remained strong. This along with the substantial increase in raw material prices had resulted in a significant increase in steel product price by 51%.

During the period, the Group actively responded to the increase in raw material prices. In May 2008, the Group announced an investment in the construction of a coking plant with an annual production capacity of 2.2 million tonnes of coke, one of the major raw materials for the production of steel. The project will serve to further lower the Group's production cost and to ensure the quality and sufficient supply of coke, so as to maintain a stable steel production schedule. The first phase construction of the coking plant with a production capacity of 1.1 million tonnes is expected to be completed and commence operation in mid 2009.

For the six months ended 30 June 2008, the Group reported a sales volume of H-section steel of 668,000 tonnes with a sales revenue of approximately RMB3,242 million, accounting for 26.3 per cent and 27.8 per cent of its total sales volume and total sales revenue respectively.

In the first half of 2008, the Group sold approximately 1,285,000 tonnes of strips and strip products and approximately 460,000 tonnes of billets. Sales revenue

from strips and strip products and billets amounted to RMB5,663 million and RMB2,011 million respectively. The sales revenue from strips and strip products accounted for 48.6 per cent of total sales revenue.

During the first half of 2008, the Group's average selling prices (excluding value-added tax) of billets and strips and strip products were RMB4,369 per tonne and RMB4,407 per tonne respectively, representing increases of 73.4 per cent and 56 per cent respectively when compared with those of the first half of 2007. The average selling price (excluding value-added tax) of H-section steel was RMB4,856 per tonne, representing an increase of 46 per cent when compared with that of the corresponding period of 2007.

During the period, the Group's gross profit per tonnes of the sales of billets, strips and strip products and H-section steel were RMB449, RMB454 and RMB765 respectively (2007 1H: RMB300, RMB430 and RMB724 respectively).

In February 2008, ArcelorMittal S.A., the world's largest steel conglomerate, completed its unconditional mandatory cash offer for shares in the Company and became the Group's second largest shareholder. In April 2008, China Oriental entered into a technology transfer agreement with ArcelorMittal S.A. regarding the introduction of advanced steel manufacturing technologies including steel sheet pile production technology and the continued upgrading of H-section steel technology. China Oriental also entered into an iron ore and coke long term supply agreement with ArcelorMittal S.A.

"In research and development, China Oriental has engaged in the development of new steel product series meeting European, Japanese and U.S. standards. Mass production of these products has commenced and they further increase the Group's market share in the developed regions. With the world's leading steel company as our strategic partner and substantial shareholder, the support in advanced iron and steel products and technology from ArcelorMittal S.A. will further enhance the competitive edges of China Oriental in the Asian region," said Mr. Han Jingyuan, Chairman and Chief Executive Officer of China Oriental.

In February 2008, the Group increased its equity interest in Foshan Jinxi Jinlan Cold Rolled Sheet Co., Ltd ("Jinxi Jinlan") from 60 per cent to 81.5 per cent. Jinxi Jinlan is engaged in the purchase of billets for processing into cold rolled sheets and galvanised sheets. With the completion of capital injection into Jinxi Jinlan, Jinxi Jinlan successfully regained its profitability and improved the utilisation of its production capacity.

In May 2008, the Group set up Hebei Jinxi Section Steel Company Limited ("Jinxi Section Steel") to operate two newly constructed H-Section steel production lines. The medium and small sized H-section steel production lines commenced production in August 2008.

In order to further extend its control over upstream activities and to stabilise raw material supply, the Group decided to expedite the consolidation of iron ore

resources. In June 2008, the Group granted the operating and managing rights in its existing iron ore resources to Tangshan Jinxi Mining Company Limited. The arrangement serves to facilitate the effective control of its existing iron ore resources and to ensure reliable supply of iron ore.

With the two medium and small sized H-section steel production lines becoming operational, the Group's overall annual capacity of H-section steel is expected to reach 3.5 million tonnes. The diverse product series of large, medium and small sizes H-section steel could address the varying demands of end-user customers by offering them one-stop shopping. This can further enhance the Jinxi Brand H-section steel's image in the steel market, and consolidate the Group's leading position in China's H-section steel market.

"The series of catastrophes which occurred in China during the first half of the year had aroused the public concern about the safety of infrastructure and building structures. The broad market recognition of steel structure has fueled the rise in demand for steel. The Group expects that the demand for the Group's steel products will have certain growth in the second half of the year and the coming year," added Mr. Han.

In August 2008, the Group has acquired a 71% equity interest and shareholders' loan of Tangshan Baotai Iron and Steel Group Xinyi Iron and Steel Company Limited ("Xinyi Iron and Steel") at a total cash consideration of RMB532 million. Xinyi Iron and Steel is a sizable domestic steel mill which is located in Tangshan, close to Hebei Jinxi Iron and Steel Co., Ltd ("Jinxi Iron and Steel"). It has integrated production equipment with steel production capacity of 1 million tonnes per annum. Following the acquisition, the Group's total production capacity of steel products has increased to 7 million tonnes per annum, in line with the Group's plan to increase its steel production capacity.

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. In December 2007, ArcelorMittal, the world's largest steel giant, became the strategic partner and a substantial shareholder of the Company. The Group principally engages in the production and sales of H-section steel, strips and strip products, cold rolled sheets and galvanised sheets, and billets. The Group sells downstream products such as H-section steel, cold rolled sheets and galvanised sheets to distributors and manufacturers. The Group also sells billets and strips to downstream steel manufacturers who further process them into downstream steel products, which are used mainly in the construction industry and for the manufacture of machinery.

PRESS RELEASE

The Group's stable development had been recognized by, and supported by the markets at home and abroad. The Group stood out from over 600 privately-owned listed enterprises and ranked 10th of the "100 privately-owned listed companies in 2007" and ranked 34th in "Forbes 2007 Top Chinese enterprises".

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(Attached the China Oriental's unaudited consolidated condensed income statement for the six months ended 30 June 2008)

China Oriental Group Company Limited
(Stock Code: 581)

Unaudited Consolidated Condensed Interim Income Statement
For the Six months Ended 30 June 2008

	Unaudited	
	For the six months ended 30 June	
	2008	2007
	(RMB '000)	(RMB '000)
Revenue	11,649,520	6,648,045
Cost of goods sold	<u>(10,298,601)</u>	<u>(5,558,614)</u>
Gross profit	1,350,919	1,089,431
Other income	6,553	1,040
Distribution costs	(44,231)	(27,890)
Administrative expenses	(120,980)	(85,727)
Other expenses	(5,391)	(3,401)
Other losses - net	<u>(6,431)</u>	<u>(10,773)</u>
Operating profit	1,180,439	962,680
Finance income	7,594	5,293
Finance costs	(17,588)	(30,664)
Share of profit / (loss) of an associate	<u>818</u>	<u>(625)</u>
Profit before income tax	1,171,263	936,684
Income tax expense	<u>(305,008)</u>	<u>(148,472)</u>
Profit for the period	<u>866,255</u>	<u>788,212</u>
Attributable to:		
-equity holders of the Company	835,440	768,881
-minority interest	<u>30,815</u>	<u>19,331</u>
	<u>866,255</u>	<u>788,212</u>
Earnings per share for profit attributable to equity holders of the Company during the period (express in RMB per share)		
-basic	0.29	0.26
-diluted	N/A	0.26
Dividends	<u>167,088</u>	<u>154,864</u>