CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 581)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	Unaudited Consolidated		
	2008	2007	Change
	RMB	*RMB*	
Sales volume (tonnes)	**2.54 million**	2.19 million	16%
Gross profit per tonne	**532 yuan**	496 yuan	7%
Revenue	**11.65 billion**	6.65 billion	75%
Gross profit	**1,351 million**	1,089 million	24%
Profit before income tax	**1,171 million**	937 million	25%
Profit attributable to equity holders of the Company	**835 million**	769 million	9%
Net cash generated from/(used in) operating activities	**305 million**	(4) million	N/A
Basic earnings per share	**0.29 yuan**	0.26 yuan	12%
Interim dividends per share	**6.5 HK cents**	5.5 HK cents	18%
	30 June 2008	31 December 2007	
Net assets value per share (exclude minority interest)	**2.47 yuan**	2.24 yuan	10%

* *for identification purpose only*

The Board of Directors of China Oriental Group Company Limited (the "Company") is pleased to announce the unaudited consolidated condensed interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative amounts for the corresponding period. The unaudited consolidated condensed interim financial information for the six months ended 30 June 2008 has been reviewed by the Company's Audit Committee. The Company's auditors have reviewed the unaudited consolidated condensed interim financial information for the six months ended 30 June 2008 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Revenue	*3*	**11,649,520**	6,648,045
Cost of goods sold		**(10,298,601)**	(5,558,614)
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		**(6,431)**	(10,773)
Operating profit	*4*	**1,180,439**	962,680
Finance income		**7,594**	5,293
Finance costs		**(17,588)**	(30,664)
Share of profit/(loss) of an associate		**818**	(625)
Profit before income tax		**1,171,263**	936,684
Income tax expense	*5*	**(305,008)**	(148,472)
Profit for the period		**866,255**	788,212
Attributable to:			
Equity holders of the Company		**835,440**	768,881
Minority interest		**30,815**	19,331
		866,255	788,212
Earnings per share for profit attributable to equity holders of the Company during the period *(express in RMB per share)*			
– basic	*6*	**0.29**	0.26
– diluted	*6*	**Not Applicable**	0.26
Dividends	*7*	**167,088**	154,864

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2008** *RMB'000*	Audited 31 December 2007 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**7,255,977**	6,405,538
Leasehold land and land use rights	*8*	**75,615**	76,441
Investment properties	*8*	**18,804**	19,328
Intangible assets	*8*	**7,667**	–
Investments in an associate		**8,940**	8,122
Loan receivable		**130,000**	–
Deferred income tax assets		**13,035**	3,194
Total non-current assets		**7,510,038**	6,512,623
Current assets			
Inventories		**3,335,189**	1,836,997
Trade receivables	*9*	**1,133,508**	488,825
Other current assets		**8,089**	4,037
Prepayments, deposits and other receivables		**562,529**	447,156
Financial assets at fair value through profit or loss		**154**	146
Amounts due from related parties		**22,141**	11,055
Restricted bank balances		**476,141**	171,690
Cash and cash equivalents		**645,205**	689,591
Total current assets		**6,182,956**	3,649,497
Total assets		**13,692,994**	10,162,120
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**311,669**	311,444
Share premium		**2,189,695**	2,185,964
Other reserves		**1,144,182**	1,144,182
Retained earnings		**3,578,183**	2,907,100
		7,223,729	6,548,690
Minority interest		**248,846**	147,414
Total equity		**7,472,575**	6,696,104

	Note	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**745,000**	765,000
Deferred revenues		**80,000**	–
Amounts due to related parties		**65,055**	55,733
Other long-term payable		**130,000**	–
Total non-current liabilities		**1,020,055**	820,733
Current liabilities			
Trade payables	*10*	**2,231,292**	715,535
Accruals, advances from customers and other current liabilities		**1,697,930**	1,371,328
Amounts due to related parties		**42,224**	8,571
Current income tax liabilities		**267,062**	88,382
Borrowings		**959,666**	460,000
Dividends payable		**2,190**	1,467
Total current liabilities		**5,200,364**	2,645,283
Total liabilities		**6,220,419**	3,466,016
Total equity and liabilities		**13,692,994**	10,162,120
Net current assets		**982,592**	1,004,214
Total assets less current liabilities		**8,492,630**	7,516,837

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

1. General information

China Oriental Group Company Limited (the "Company") was incorporated in Bermuda on 3 November 2003 as an exempted company with limited liability under the Companies Act 1981 of Bermuda as a result of a group reorganisation (the "Reorganisation").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Following the completion of the global offering, the Company's shares were listed on The Stock Exchange of Hong Kong Limited on 2 March 2004.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is mainly engaged in the manufacture and sales of iron and steel products. The Group has manufacturing plants in Hebei Province and Guangdong Province of the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

This consolidated condensed interim financial information was approved for issue on 18 August 2008.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

This consolidated condensed interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. This consolidated condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with HKFRSs.

2.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007, which has been approved by the Board of Directors (the "Board") on 27 March 2008.

- Operating leases as a lessor

  When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

  Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

- Goodwill

  Goodwill either on acquisition of subsidiaries or on transaction with minority interest is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

  Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose.

The following new interpretation is mandatory for the first time for the financial year beginning 1 January 2008:

- HK(IFRIC)-Int 11, 'HKFRS 2-Group and treasury share transactions' (effective for annual period beginning on or after 1 March 2007). This interpretation does not have any significant impact on the consolidated condensed interim financial information as the Group has already adopted the principles that are consistent with HK(IFRIC)-Int 11.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC)-Int 12, 'Service concession arrangements'

- HK(IFRIC)-Int 14, 'HKAS 19-the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.

- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 23 (amendment) from 1 January 2009. Management is currently assessing the impact of HKAS 23 (amendment), but does not anticipate any material impact on the Group's accounts as the Group has already followed the principles of capitalising borrowing costs for qualify assets in accordance with existing HKAS 23.

- HKFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 2 amendment from 1 January 2009, but it is not expected to have any impact on the Group's accounts.

- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply those standards from 1 January 2010. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- HKAS 1 (amendment), ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact under the revised disclosure requirements of this standard.

- HKAS 32 (amendment), ‘Financial instruments: presentation’, and consequential amendments to HKAS 1, ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2009. The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This is not relevant to the Group as the Group does not have any puttable instruments.

- HK(IFRIC) – Int 13, ‘Customer loyalty programmes’, effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group’s operations because none of the Group’s companies operate any loyalty programmes.

3. Sales and segment information

(a) Sales

The Group is principally engaged in the manufacture and sales of iron and steel products. Sales recognised for the six months ended 30 June 2008 and 2007 were as follows:

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB’000	*RMB’000*
Sales:		
Gross sales, less discounts and returns		
– billets	**2,025,270**	284,141
– strips and strip products	**5,663,820**	3,878,161
– H-section steel	**3,308,699**	2,103,336
– galvanised sheets	**365,535**	341,708
– cold rolled sheets	**357,789**	28,650
– others	**11,156**	12,049
	11,732,269	6,648,045
Less: Taxes	**(82,749)**	–
	11,649,520	6,648,045

(b) Segment information

No business segment information is presented as over 90% of the Group's sales and operating profits are derived from the sales of iron and steel products, which is considered as one business segment with similar risks and returns.

No geographical segment information is presented as over 90% of the Group's sales and operating profits are derived within the PRC and over 90% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

4. Operating profit

The following items have been charged to the operating profit during the six months ended 30 June 2008 and 2007:

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(273)**	(4,273)
Amortisation of leasehold land and land use rights *(note 8)*	**(826)**	(826)
Depreciation of property, plant and equipment *(note 8)*	**(261,185)**	(216,428)
Amortisation of intangible assets *(note 8)*	**–**	(2,242)
Depreciation of investment properties *(note 8)*	**(524)**	(550)
Foreign exchange loss, net	**(12,923)**	(7,408)

5. Income tax expense

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**314,849**	149,404
Deferred income tax	**(9,841)**	(932)
	305,008	148,472

6. **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**835,440**	768,881
Weighted average number of ordinary shares in issue *(thousands)*	**2,929,174**	2,905,566
Basic earnings per share *(RMB per share)*	**0.29**	0.26

Diluted

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 30 June 2008 (30 June 2007: RMB 0.26 per share).

7. **Dividends**

(a) At a meeting held on 30 August 2007, the Board proposed an interim dividend of HK$159.94 million (approximately RMB154.86 million), representing HK$0.055 per share, for the year ended 31 December 2007. Such interim dividend was paid for the year ended 31 December 2007.

(b) At a meeting held on 27 March 2008, the Board proposed a final dividend in respect of the year ended 31 December 2007 of HK$181.61 million (approximately RMB164.36 million), representing HK$0.062 per ordinary share. The Annual General Meeting held on 15 May 2008 approved the Board's dividend proposal. Such final dividend was paid for the six months ended 30 June 2008.

(c) At a meeting held on 18 August 2008, the Board proposed an interim dividend of HK$190.14 million (approximately RMB167.09 million), representing HK$0.065 per ordinary share, for the six months ended 30 June 2008. This proposed dividend is not reflected as a dividend payable in this consolidated condensed interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

8. Capital expenditure

	Property, plant and equipment	Leasehold land and land use rights	Investment properties	Intangible assets
		Unaudited		
Six months ended 30 June 2008				
Opening carrying amount as at 1 January 2008	6,405,538	76,441	19,328	–
Additions	1,111,897	–	–	7,667
Disposals	(273)	–	–	–
Depreciation and amortisation *(note 4)*	(261,185)	(826)	(524)	–
Closing carrying amount as at 30 June 2008	7,255,977	75,615	18,804	7,667
Six months ended 30 June 2007				
Opening carrying amount as at 1 January 2007	4,675,308	78,092	20,428	18,289
Additions	656,955	–	–	–
Disposals	(4,343)	–	–	–
Depreciation and amortisation *(note 4)*	(216,428)	(826)	(550)	(2,242)
Closing carrying amount as at 30 June 2007	5,111,492	77,266	19,878	16,047

9. Trade receivables

	Unaudited 30 June 2008	Audited 31 December 2007
	RMB'000	RMB'000
Accounts receivable	**338,276**	117,378
Notes receivable *(a)*	**795,232**	371,447
	1,133,508	488,825

(a) As at 30 June 2008, bank acceptance and commercial acceptance notes amounted to approximately RMB738 million and RMB57 million respectively. (31 December 2007: RMB371 million and nil respectively).

As at 30 June 2008, notes receivable amounting to approximately RMB90 million and RMB390 million were pledged as security for issuing notes payable and letters of credit respectively. (31 December 2007: RMB92 million and RMB66 million respectively) *(Note 10)*.

As at 30 June 2008 and 31 December 2007, the carrying amount of the Group's trade receivables approximated their fair value.

The credit policy usually adopted by the Group for the sales of products to customers is to deliver goods either upon receipt in cash or upon receipt of bank acceptance notes with maturity dates within six months.

As at 30 June 2008 and 31 December 2007, the ageing analysis of trade receivables was as follows:

	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 RMB'000
Within 3 months	**714,085**	431,248
4-6 months	**419,423**	57,577
	1,133,508	488,825

As at 30 June 2008, accounts receivable covered by customers' letters of credit issued amounted to approximately RMB306 million (31 December 2007: approximately RMB90 million).

10. Trade payables

	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 RMB'000
Accounts payable	**1,699,292**	545,335
Notes payable *(a)*	**532,000**	170,200
	2,231,292	715,535

(a) As at 30 June 2008, the notes payable represented bank acceptance notes, RMB90 million of which were secured by certain notes receivable (Note 9), RMB410 million of which were secured by restricted bank balances amounting to approximately RMB163 million, and RMB32 million of which were secured by inventories and restricted bank balances amounting to approximately RMB27 million and RMB10 million respectively.

As at 31 December 2007, the notes payable represented bank acceptance notes, RMB91 million of which were secured by certain notes receivable (Note 9), and RMB79.2 million of which were secured by inventories and restricted bank balances amounting to approximately RMB57 million and RMB33 million respectively.

As at 30 June 2008 and 31 December 2007, the ageing analysis of the trade payables was as follows:

	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 RMB'000
Within 3 months	**2,193,951**	655,308
4-6 months	**27,696**	49,100
7-9 months	**4,245**	3,690
10-12 months	**1,599**	2,226
Above 1 year	**3,801**	5,211
	2,231,292	715,535

11. Capital commitments

Capital expenditure committed at the balance sheet date but not yet incurred was as follows:

	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 RMB'000
Purchase of property, plant and equipment		
– Contracted but not provided for	**2,005,662**	884,748
– Authorised but not contracted for	**77,404**	276,472
	2,083,066	1,161,220

12. Contingent events

As at 30 June 2008, Hebei Jinxi Iron and Steel Company Limited ("Jinxi Limited") provided guarantee for certain bank borrowings in favour of third parties amounting to approximately RMB60.9 million (31 December 2007: approximately RMB30.9 million).

The directors of the Company are of the view that to settle the obligation will not probably cause an outflow of resources embodying economic benefits.

13. Subsequent events

Pursuant to a share transfer agreement dated 4 August 2008, Jinxi Limited acquired 71% share capital and shareholders' loan of Tangshan Baotai Iron and Steel Group Xinyi Iron and Steel Co., Ltd. from its original third party shareholders, for a consideration of RMB237 million and RMB295 million respectively. The details of the acquisition are set in the announcement published on 12 August 2008.

Subsequent to the period end, Jinxi Limited has been granted a total of RMB1,249 million banking facilities and borrowings, which comprise RMB449 million trade line and RMB800 million borrowings under an assets sale and leaseback arrangement.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2008, the Company continued to report satisfactory results. During the period, the revenue of the Group was approximately RMB11.65 billion, representing an increase of 75% from that of the same period last year. The Group's gross profit amounted to RMB1.35 billion, which was 24% higher than that of the same period last year. Despite a significant increase in raw material cost during the period, the Group successfully passed on part of the cost pressure to the consumers. The gross profit per tonne of steel sales was RMB 532 per tonne, representing an increase of 7% or RMB36 per tonne as compared with RMB 496 per tonne in the same period last year. The Group's profit before tax and the profit attributable to equity holders of the Company during the first half of the year were RMB1.17 billion and RMB835 million, respectively, representing increases of 25% and 9% respectively, when compared with those of the same period last year.

The Company continued to maintain a stable and healthy growth in its overall development during the first half of 2008. With the completion of its medium and small sized H-section steel facilities, the Company's overall annual production capacity of crude steel had reached 6,000,000 tonnes. The Group successfully increased its equity interest in Foshan Jinxi Jinlan Cold Rolled Sheet Co., Ltd ("Jinxi Jinlan") to 81.5% and made a capital injection to Jinxi Jinlan in February 2008, through a capital injection of RMB116 million and a conversion of debt into capital of RMB 64 million. It has provided sufficient financial support to Jinxi Jinlan, which was then faced with a shortage of funds and inability to achieve its expected production scale. The additional capital from the Group also enabled Jinxi Jinlan to continue its development and to expand its production capacities, and strengthened the Group's management control over Jinxi Jinlan. Partly due to such support from the Group, Jinxi Jinlan successfully regained its profitability and generated a profit before tax of approximately RMB40 million.

In May 2008, the Group has set up Hebei Jinxi Section Steel Company Limited ("Jinxi Section Steel") to operate two newly constructed H-Section steel production lines. China Oriental holds 80% equity interest in Jinxi Section Steel, with the remaining 20% interests held by more than 3,700 staffs of the Group. The arrangement of staff equity investment not only will provide the Group with additional operating capital of RMB240 million, it also strengthens the employees' sense of belonging to the Group. The medium and small sized H-section steel production lines commenced production in August 2008.

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 coking plant is currently under construction, and its first phase with a production capacity of 1.1 million tonnes is expected to be completed and commenced operation in mid 2009.

In order to further extend its control over upstream activities and to stabilize 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, a former subsidiary of the Group formed by Mr. Shen Xiaoling, an executive director of the Company. The arrangement serves to facilitate the effective control of its existing iron ore resources and to ensure reliable supply of iron ore.

In August 2008, the Group has acquired a 71% equity interest and 71% shareholders' loan in Tangshan Baotai Iron and Steel Group Xinyi Iron and Steel Company Limited ("Xinyi Iron and Steel") from Tangshan Baotai Iron and Steel Group Company Limited and a few individuals at a total cash consideration of RMB532 million. Xinyi Iron and Steel is a sizable domestic steel mill which is located close to Jinxi Iron and Steel. It has integrated production equipment with steel production capacity of 1,000,000 tonnes per annum. Following the acquisition, the Group's total production capacity of steel products has increased to 7,000,000 tonnes per annum, in line with the Group's plan to increase its steel production capacity.

Xinyi Iron and Steel currently has annual crude steel production capacity of 1,000,000 tonnes and a 650mm hot strip rolling line with annual capacity of 1,000,000 tonnes. It also has an option to purchase a 1,000,000 tonnes medium and small sized H-section steel production line, which is under construction and is expected to commence operation in the fourth quarter of 2008. When the acquisition of this H-section steel production line materialized, the Group's production capacity will be further increased and hence further enhancing its leadership in terms of production capacity in the H-section steel market in the PRC.

In research and development, the Group 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. In June 2008, Hebei Jinxi Iron and Steel Company Limited ("Jinxi Iron and Steel"), the principal subsidiary of the Group, joined hands with The College of Metallurgy and Energy of Hebei Polytechnic University to establish Jinxi Iron and Steel Research Institute, to develop the Group's products, upgrade its technology and train its personnel. Meanwhile, the support in advanced iron and steel products and technology from ArcelorMittal S.A. ("ArcelorMittal") further enhances the competitive edges of the Group in the Asian region.

Business Review

Sales Volume

During the first half of 2008, the Group's total sales volume was 2,539,000 tonnes (2007 corresponding period: 2,192,000 tonnes), representing an increase of 16%. The Group's sales volume breakdown was as follows:

	For the 6 months ended 30 June				
	2008		2007		Changes in
	Sales volume		Sales volume		Sales
	(000 tonnes)	***Percentage***	*(000 tonnes)*	*Percentage*	volume
Billets	**460**	**18.1%**	113	5.1%	307.1%
Strips and strip products	**1,285**	**50.6%**	1,373	62.6%	(6.4%)
H-section steel	**668**	**26.3%**	633	28.9%	5.5%
Cold rolled sheets and galvanised sheets	**126**	**5.0%**	73	3.4%	72.6%
Total	**2,539**	**100.0%**	2,192	100.0%	15.8%

Increase in production capacity and increase in market demand during the period under review had led to an increase in the Group's sales volume. Among the Group's various products, billets experienced the most significant growth in sales volume. This was mainly due to the completion of the construction of the billet production facilities for the Group's medium and small sized H-section steel production ahead of schedule which led to a temporary increase in sales of billets. With the full operation of medium and small sized H-section steel production lines, the additional steel capacity is expected to be substantially for the production of H-section steel which offers higher profit margin.

Revenue

Revenue of the Group in the first half of 2008 was RMB11.65 billion (2007 corresponding period: RMB6.65 billion), representing an increase of 75%. The Group's sales breakdown and average selling price by product (excluding value-added tax) were as follows:

	For the 6 months ended 30 June					
	2008		2007		Changes in	
	Revenue	**Average selling price**	Revenue	Average selling price	Revenue	Average selling price
	(RMB million)	***(RMB/tonne)***	*(RMB million)*	*(RMB/tonne)*		
Billets	**2,011**	**4,369**	284	2,519	608%	73%
Strips and strip products	**5,663**	**4,407**	3,878	2,825	46%	56%
H-section steel	**3,242**	**4,856**	2,103	3,325	54%	46%
Cold rolled sheets and galvanised sheets	**723**	**5,735**	371	5,066	95%	13%
Others	**11**	**N/A**	12	N/A	(8%)	N/A
Total	**11,650**	**4,584**	6,648	3,028	75%	51%

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%. On the other hand, the Group's enhanced capacity had led to a 24% growth in sales.

Overseas sales accounted for 6.7% of the total sales (2007 corresponding period: 7.6%). Overseas sales of H-section steel accounted for approximately 72.6% of the total overseas sales (2007 corresponding period: 85.1%).

Cost of Sales and Gross Profit

The consolidated gross profit of the Company for the first half of 2008 amounted to RMB1,351 million (2007 corresponding period: RMB1,089 million), representing an increase of 24%. Gross profit margin was 11.6% (2007 corresponding period: 16.4%).

Average cost and gross profit per tonne during the period were as follows:

	For the 6 months ended 30 June					
	2008			2007		
	Average cost per tonne *(RMB)*	**Gross profit per tonne *(RMB)***	**Gross profit margin**	Average cost per tonne *(RMB)*	Gross profit per tonne *(RMB)*	Gross profit margin
Billets	**3,920**	**449**	10.3%	2,219	300	11.9%
Strips and strip products	**3,953**	**454**	10.3%	2,395	430	15.2%
H-section steel	**4,091**	**765**	15.8%	2,601	724	21.8%
Cold rolled sheets and galvanised sheets	**5,344**	**391**	6.8%	4,984	82	1.6%
Total	**4,052**	**532**	11.6%	2,532	496	16.4%

Despite a significant surge in raw material cost during the period, the Group continued its strategy of fine-tuning its product mix, screening its distributors, and flexible pricing policy, and successfully transferred part of the cost pressure to the consumers. Gross profit per tonne increased from the corresponding period of last year's RMB496 to RMB532 during the period under review, representing an increase of RMB36 or 7% per tonne.

The gross profit margin for the first half of 2008 decreased due to the substantial upsurge in raw material price. The Group's overall profitability was not affected. Gross profit of the Group increased by 24% to RMB1,351 million. Meanwhile, the operation of Jinxi Jinlan had been further enhanced and the gross profit and gross profit margin of its cold rolled sheets and galvanised sheets has continued to improve.

Human Resources and Remuneration Policies

As at 30 June 2008, the Group had a workforce of 8,000 and temporary staff of 2,700. The staff cost included basic salaries and benefits. Staff cost included discretionary bonus, medical insurance plans, pension scheme, unemployment insurance plan, maternity insurance plan and the fair value of the share options, etc. The Group's remuneration policies are to tie its employees' income to their productivity and/or sales volume, as well as to the extent that they meet the Company's quality control and cost control targets.

Dividend Policy

The Company plans to distribute not less than 20% of the Group's distributable profit as dividend. However the actual amount of dividend and its percentage to profit will be at the discretion of the Board and will depend upon the Company's future operation and earnings, capital requirement and surplus, general financial condition, contractual restrictions, and other factors that the Board find relevant. In addition, pursuant to the relevant PRC law, Jinxi Iron and Steel's distributable profit should not be higher than its net profit, after appropriation to the statutory reserve as determined by the generally accepted accounting principles in the PRC.

Financial Review

Capital Structure

The cash and cash equivalents of the Group as at 30 June 2008 was RMB645 million (31 December 2007: RMB690 million). After taking out the cash and cash equivalents and the relevant restricted bank balances, net borrowings was RMB879 million (31 December 2007: RMB535 million), accounting for 12% (31 December 2007: 8%) of the Group's consolidated net assets after deducting minority interest of RMB 7,224 million (31 December 2007: RMB6,549 million).

The net current assets was RMB983 million as at 30 June 2008 (31 December 2007: RMB1,004 million). The current ratio (current assets divided by current liabilities) was 1.2 as at 30 June 2008 (31 December 2007: 1.4). As at 30 June 2008, the ratio between total liabilities and total assets of the Group was 45% (31 December 2007: 34%).

The net asset value per share of the Group as at 30 June 2008 was RMB2.47 (31 December 2007: RMB2.24), representing an increase of 10%.

The consolidated interest expenses on borrowings in the first half of 2008 amounted to RMB48,885,000 (2007 corresponding period: RMB30,664,000). The interest coverage (divide earnings before interests and taxes by total interest expenses) was 25.0 times (2007 corresponding period: 31.5 times).

Subsequent to the period end, the Group has been granted a total of RMB1,249 million banking facilities and borrowings, which comprise RMB449 million trade line and RMB800 million borrowings under an assets sale and leaseback arrangement.

The financial position of the Group was in very healthy condition.

Capital Commitments

As at 30 June 2008, the Group had capital commitments amounted to RMB2,083 million (31 December 2007: RMB1,161 million), which mainly consisted of the capital commitments to the construction of a coking plant with annual production capacity of 2.2 million tonnes and medium and small sized H-section steel production lines with annual production capacity of 2 million tonnes and other ancillary projects. It is estimated the capital commitments will be financed by the Group's internal resources and borrowings.

Guarantees and Contingent Liabilities

As at 30 June 2008, the Group's contingent liabilities amounted to RMB 61 million (31 December 2007: RMB31 million) which was the provision of guarantee for bank borrowings in favor of third parties.

Pledge of Assets

As at 30 June 2008, the net book value of the Group's property, plant and equipment amounting to RMB1,394 million (31 December 2007: RMB1,396 million), land use rights amounting to RMB63 million (31 December 2007: RMB24 million), inventories amounting to RMB489 million (31 December 2007: RMB57 million), notes receivable amounting to RMB480 million (31 December 2007: RMB158 million) and restricted bank balances amounting to RMB476 million (31 December 2007: RMB172 million) had been pledged as security for the Group's banking facilities.

Exchange Risks

As at 30 June 2008, Renminbi, US dollar, HK dollar and Euro accounted for 87.14%, 12.64%, 0.22% and 0.0005% of the Group's total bank balances (including restricted bank balances) respectively (31 December 2007: 82.17%, 15.42%, 2.41% and 0.001% respectively). As most of the sales, raw materials procurement and bank loans during the first half of 2008 and 2007 were denominated in RMB, hence the exchange risk sustained to the Group is relatively low.

Interest Rates Risk

The interest rates of the Group's certain borrowings are subject to the variations. The risk of increasing interest rate will increase the interest costs of both new borrowings and existing borrowings. At present, the Group does not use any derivatives to hedge its interest rate risk exposure.

Post Balance Sheet Events

Saved as disclosed in this announcement, there are no events to cause material impact on the Group from the balance sheet date to the date of this announcement.

Strategic Cooperation with ArcelorMittal

In February 2008, ArcelorMittal, the world's largest steel conglomerate, completed its unconditional mandatory cash offer for shares in the Company and became the Company's second largest shareholder. This development further cemented the strategic cooperation in the industry between the two parties.

In April 2008, China Oriental entered into a technology transfer agreement with ArcelorMittal regarding the introduction of advanced steel manufacturing technologies including steel sheet pile production technology and the continued upgrading of H-section steel technology. In addition, China Oriental entered into an iron ore and coke long term supply agreement with ArcelorMittal in the same month. The agreement had been approved at the Company's Special General Meeting, and is currently being implemented. Other cooperations under discussion include support in the provision of production technology for optimizing utilization of resources, global sales network support, funds and professional management support.

Accreditation for the Company

In July 2008, the Ministry of Commerce awarded Jinxi Iron and Steel "Grade AAA① class Credible Enterprise", the assessment was based on comprehensive evaluation of an enterprise's financial position, contract performance situation, credit and debt situation.

In July 2008, Jinxi Iron and Steel has been named "Sichuan Earthquake Relief Advanced Entity" by the people's municipal government of Tangshan, in recognition of the Company and its staff's fulfillment of their social responsibilities in contributing to the quake-affected area.

Prospects

Steel selling prices and raw material costs began to stabilize in the second half of 2008. 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 Group expects that its 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 strengthen 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.

With China being the biggest and one of the fastest growing steel markets in the world, China Oriental and ArcelorMittal's strategic alliance, on the other hand, enables ArcelorMittal to further entrench its leading position in the world's H-section steel market. With the cooperation with ArcelorMittal, and its internal fundamentals and niches, the Group believes it can achieve further vertical integration by incorporating raw material supply chain in the upstream and expanding its diversified value-added product range in the downstream. China Oriental is well-poised to develop into sustainable market leader with the strongest profitability in the China market.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding directors of the Company's securities transactions on terms no less than exacting than the required standard set out in the Model Code of Appendix 10 of the Listing Rules (the "Model Code").

The Company has made specific enquiry of all directors and all directors have confirmed with the Company that they have complied with the required standard set out in the Model Code during the period and its code of conduct regarding directors' securities transactions.

AUDIT COMMITTEE AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has established an Audit Committee comprised all three Independent Non-Executive Directors namely Mr. Yu Tung Ho, Mr. Gao Qingju and Mr. Wong Man Chung, Francis with written term of reference in compliance with the requirement of Listing Rules.

The Audit Committee has reviewed the unaudited consolidated condensed interim financial information and the auditors of the Company has conducted their review in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA. On 18 August 2008, the Committee met with the management to review the unaudited consolidated condensed interim financial information and consider the significant accounting policies.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the Listing Rules, throughout the period except the following deviations:

Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Han Jingyuan serves as the Chairman of the Board and the Chief Executive Officer of the Group. The Board believes that there is no need to segregate the roles of Chairman and the Chief Executive Officer of the Company because the role of chief executive officer/general manager of the Company's major operating subsidiaries are performed by other persons and apart from acting as the listing vehicle of the Group, the Company has no real operating activities or business.

Depending on the future development of the operating activities or business of the Company, eventually the Board will actively consider the issue of replacing Mr. Han Jingyuan by an appropriate candidate as the Chief Executive Officer of the Company.

Pursuant to current Bye-law 87(1), at each annual general meeting one-third of the Directors for the time (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to the retirement by rotation or be taken into account in determining the number of the Directors to retire in each year. However, the Company has entered into service contracts with definite term of services from one year to three years. Mr. Han Jingyuan, the Chairman of the Board, is willing subject to re-election when the services contracts expire at the general meeting held in that year. The Board will consider amending the Bye-laws in order to comply with the Code Provision in the future.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 October 2008 to Monday, 20 October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch share registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 15 October 2008. 2008 interim dividend will be paid on Wednesday, 12 November 2008.

LIST OF DIRECTORS

At the date of this announcement, the Executive Directors are Mr. Han Jingyuan, Mr. Zhu Jun, Mr. Liu Lei, Mr. Shen Xiaoling, Mr. Yu Jianshui and Mr. Zhu Hao and the Independent Non-executive Directors are Mr. Yu Tung Ho, Mr. Gao Qingju and Mr. Wong Man Chung, Francis.

DISCLOSURE OF INTERIM INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The interim information of the Group containing all the relevant information required by the Listing Rules of the Stock Exchange will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange in due course.

APPRECIATION

The board would like to extend its gratitude to the staff for their dedication and contribution to the Group, and to thank its shareholders for their support and trust in the Company. The Group will continue to join hands with its shareholders and staff to realize shareholders' value and share the Group's growth prospects.

The board would also like to express its appreciation for the staff's enthusiastic donation which raised over RMB3 million for the Sichuan earthquake affected area.

By Order of the Board
China Oriental Group Company Limited
Chairman and Chief Executive Officer
Han Jingyuan

Hong Kong, 18 August 2008