



**DELONG HOLDINGS LIMITED**

**Statement Pursuant to SGX Listing Rule 705(4) of the Listing Manual**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial results of Delong Holdings Limited for the first quarter ended 31 March 2009 to be false or misleading in any material respect.

On behalf of the Board of Directors

**Mr. Ding Liguo**  
Chairman

**Mr. Guo Sanxiang**  
Executive Director

**Singapore**  
**14 May 2008**



## DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

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### UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2009

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#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF – YEAR AND FULL RESULTS

*The Company's functional currency is Chinese Renminbi. The financial information were previously presented in Singapore Dollar as the Company was incorporated and listed in Singapore. As the activities of the Group are primarily conducted in Chinese Renminbi, the Company will present the financial information in Chinese Renminbi with effect from 1 January 2009, so as to present the results of the Group, without the effect of the changes in the exchange rate between Chinese Renminbi and Singapore Dollar.*

*The Group's financial information relating to the three-month period ended as of 31 March 2009 has been reported on in accordance with the Singapore Code on Takeovers and Mergers.*

- 1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

		<b>The Group</b>		
		1 <sup>st</sup> Quarter Ended		Increase
		31/03/2009	31/03/2008	(Decrease)
Note		RMB'000	RMB'000	%
	<b>Sales</b>	1,606,147	2,817,980	(43.0)
	Cost of sales	(1,523,325)	(2,632,195)	(42.1)
	<b>Gross Profit</b>	<b>82,822</b>	<b>185,785</b>	<b>(55.4)</b>
	Other gains-net	4,522	7,888	(42.7)
	<b>Expenses</b>			
	-Distribution and marketing	(752)	(8,618)	(91.3)
	-Administrative	(32,761)	(47,235)	(30.6)
	-Finance	(57,010)	(75,696)	(24.7)
	<b>(Loss)/Profit before tax</b>	<b>(3,179)</b>	<b>62,124</b>	<b>NM</b>
	Income tax expense	(2,366)	(15,816)	(85.0)
	<b>Net (Loss)/Profit</b>	<b>(5,545)</b>	<b>46,308</b>	<b>NM</b>
	<b>Other comprehensive income/ (loss):</b>			
	<b>Gains/(losses) recognized directly in equity</b>			
	Financial assets, available-for-sale			
	-Fair value gain	1,358	-	100.0
	-Reclassification for losses included in profit or loss	214	-	100.0
	Currency translation differences	(1,058)	(3,378)	(68.7)
	<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>514</b>	<b>(3,378)</b>	<b>NM</b>
	<b>Total comprehensive (loss)/income attributable to equity holders of the Company</b>	<b>(5,031)</b>	<b>42,930</b>	<b>NM</b>

NM: not meaningful

**Notes:-**

**1 Other miscellaneous gains:**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2009	31/03/2008
	RMB'000	RMB'000
Sale of scrap materials	-	1,048
Loss on disposal of financial assets, available-for-sale	(146)	-
Fair value gain- financial assets at fair value through profit and loss	196	-
Interest income	7,161	23,290
Rental income from investment property	494	499
Currency translation loss	(3,684)	(17,081)
Loss on disposal of property, plant and equipment	(83)	(575)
Others	584	707
	<u>4,522</u>	<u>7,888</u>

The currency translation loss was mainly due to the revaluation of bank balances denominated in USD, SGD and AUD which were weakened against RMB in 1Q2009.

**2. Profit before taxation includes the following items:-**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2009	31/03/2008
	RMB'000	RMB'000
Depreciation and amortization	90,700	66,765
Staff and wages	35,389	40,260
Operating lease rental	189	398

**3. Income Tax Expense**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2009	31/03/2008
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Current income tax expense /(credit)		
-Foreign	1,327	15,816
Deferred income tax	946	-
Underprovision in preceding financial years		
-Current income tax	93	-
	<u>2,366</u>	<u>15,816</u>

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Note	The Group RMB '000		The Company RMB '000	
		As at	As at	As at	As at
		31/03/2009	31/12/2008	31/03/2009	31/12/2008
<b>Current Assets</b>					
Cash and cash equivalents		471,737	676,399	226,319	368,231
Bank balances pledged		579,979	638,789	-	-
Financial assets, held for trading	1	5,015	4,819	5,016	4,819
Trade and other receivables	2	137,826	150,970	21	52
Inventories		842,901	672,356	-	-
Other current assets	3	238,946	227,009	139	81
Tax recoverable		8,872	8,872	-	-
		2,285,276	2,379,214	231,495	373,183
<b>Non-current assets</b>					
Trade and other receivables	4	234,843	81,949	1,223,086	1,085,993
Investments in subsidiaries		-	-	1,884,916	1,884,916
Investment in joint venture	5	20,000	-	-	-
Financial assets, available-for-sale	6	33,296	32,158	23,296	22,157
Investment property		14,280	15,200	-	-
Property, plant and equipment		3,465,839	3,522,546	37	43
Deferred income tax assets		55,636	56,582	-	-
		3,823,894	3,708,435	3,131,335	2,993,109
<b>Total assets</b>		<b>6,109,170</b>	<b>6,087,649</b>	<b>3,362,830</b>	<b>3,366,292</b>
<b>Current liabilities</b>					
Trade and other payables		1,399,332	1,396,703	8,203	7,648
Notes payables		415,295	565,076	-	-
Borrowings		1,196,125	1,030,449	10	10
Current income tax liabilities		1,925	3,119	597	986
		3,012,677	2,995,347	8,810	8,644
<b>Non-current liabilities</b>					
Borrowings		344,038	356,321	24	29
Convertible bonds	7	1,410,315	1,388,810	1,410,315	1,388,810
		1,754,353	1,745,131	1,410,339	1,388,839
<b>CAPITAL AND RESERVE</b>					
Share capital		353,297	353,297	2,059,133	2,059,133
Reserves		988,843	993,874	(115,452)	(90,324)
Total equity		1,342,140	1,347,171	1,943,681	1,968,809
Total liabilities and equity		6,109,170	6,087,649	3,362,830	3,366,292

Notes:-

1. *This represents investment in equity securities listed in Hong Kong.*

2. *Trade and other receivables - current*

	<u>Group</u>	
	31/03/2009	31/12/2008
	RMB'000	RMB '000
Finance lease receivables *	19,942	-
Trade receivables	15,176	23,500
Notes receivable	102,708	127,055
Other receivables	-	415
	<u>137,826</u>	<u>150,970</u>

3. *Other current assets*

	<u>Group</u>	
	31/03/2009	31/12/2008
	RMB'000	RMB'000
Deposits	56	9,343
Prepayments	159,536	145,617
Other	79,354	72,049
	<u>238,946</u>	<u>227,009</u>

*The increase in prepayments was due to increase in advance payments to suppliers which were in line with the increase in inventories in 1Q2009.*

4. *Trade and other receivables – non-current*

	<u>Group</u>	
	31/03/2009	31/12/2008
	RMB'000	RMB'000
Finance lease receivables*	211,371	58,477
Due from an investee company	23,472	23,472
	<u>234,843</u>	<u>81,949</u>

*\*The Group started its leasing business in 4Q2007. The increase in finance lease receivable was in line with the increase in leasing activities in 1Q2009.*

5. *The investment represents 20% shareholdings in Bohai Steel Alliance Co., Ltd. Further information can be found in the Company's announcement dated 27 April 2009.*

6. *The investment represents 11,800,000 quoted shares and 28,000,000 unquoted options in Cape Lambert Iron Ore Limited("CFE"), a company listed on the Australia Stock Exchange, and a 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd.*

7 *The Convertible Bonds represent the zero coupon convertible bonds of RMB1,532,000,000 due 8 June 2012 issued on 8 June 2007. The Convertible Bonds are convertible at the option of the holders, at any time from 19 July 2007 to June 1, 2012, into new ordinary shares of the Company at a conversion price of S\$4.455 (using a fixed exchange rate of S\$1.00 to RMB 5.02). The new ordinary shares to be issued upon conversion of the Convertible Bonds when allotted and issued, will in all respects rank pari passu with the existing shares in issue. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed at 116.05% of the principal amount outstanding on 8 June 2012.*

*The bondholder has the right to require the Company to redeem all or part of the bonds at 109.34% of the principal amount on or after 8 June 2010.*

**1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debts securities, specify the following as at the end of the financial period reported on with comparative figures as at the end of the immediately preceding financial year**

**Amount repayable in one year or less, or on demand**

As at 31/03/2009	As at 31/12/2008
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Secured	Unsecured*	Secured	Unsecured*
RMB'000	RMB'000	RMB'000	RMB'000
500,003	696,122	647,117	383,332

**Amount repayable after one year**

As at 31/03/2009	As at 31/12/2008
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Secured	Unsecured*	Secured	Unsecured*
RMB'000	RMB'000	RMB'000	RMB'000
318,203	25,835	340,940	15,381

**Details of any collateral**

The Group's borrowings are secured by the following:

- (i) Certain property, plant and equipment and investment property of the Group.

\* Borrowings amounting to RMB563,774,000 (2008:RMB 239,462,000) were guaranteed by third parties.



**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	The Group	
	1 <sup>st</sup> Quarter Ended	
	31/03/2009	31/03/2008
	RMB '000	RMB'000
<b>Cash flows from operating activities:</b>		
(Loss)/Profit after income tax	(5,545)	46,308
Adjustments for:		
Depreciation	90,700	66,765
Loss on disposal of property, plant and equipment	83	575
Loss on disposal of financial assets, available-for-sale	146	-
Fair value gain- financial assets at fair value through profit and loss	(196)	-
Interest income	(7,161)	(23,290)
Interest expense	57,010	75,696
Income tax expense	2,366	15,816
	<u>142,948</u>	<u>135,562</u>
<b>Operating cash flow before working capital changes</b>	137,403	181,870
Bank balances pledged	58,810	(247,222)
Receivables	(151,687)	(296,473)
Inventories	(170,545)	(7,948)
Payables	(147,152)	366,882
	<u>(410,574)</u>	<u>(184,761)</u>
<b>Cash used in operating activities</b>	(273,171)	(2,891)
Income tax paid	(2,614)	(17,605)
<b>Net cash used in operating activities</b>	<u>(275,785)</u>	<u>(20,496)</u>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment	(34,592)	(154,652)
Proceeds from disposal of property, plant and equipment	379	-
Proceeds from disposal of Financial assets, available for sale	287	-
Investment in joint venture	(20,000)	-
Interest received	7,161	23,290
<b>Net cash used in investing activities</b>	<u>(46,765)</u>	<u>(131,362)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	777,973	531,251
Repayment of borrowings	(624,580)	(595,234)
Proceeds from warrants conversion	-	45
Interest paid	(35,505)	(51,831)
<b>Net cash provided by/(used in) financing activities</b>	<u>117,888</u>	<u>(115,769)</u>
<b>Net decrease in cash and cash equivalents</b>	(204,662)	(267,627)
Cash and cash equivalents at beginning of the period	676,399	998,375
<b>Cash and cash equivalents at end of the period</b>	<u>471,737</u>	<u>730,748</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<b>The Group</b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair value reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000
<b>Balance as at 1 January 2009</b>	353,297	249,218	(23,081)	11,413	141,072	615,252	1,347,171
Total comprehensive income/(loss) for the period	-	-	1,572	(1,058)	-	(5,545)	(5,031)
<b>Balance as at 31 March 2009</b>	<u>353,297</u>	<u>249,218</u>	<u>(21,509)</u>	<u>10,355</u>	<u>141,072</u>	<u>609,707</u>	<u>1,342,140</u>

<b>The Group</b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000
<b>Balance as at 1 January 2008</b>	350,564	249,479	(2,276)	141,072	1,186,890	1,925,729
Issue of shares pursuant to exercise of warrants	45	-	-	-	-	45
Total comprehensive income/(loss) for the period	-	-	(3,378)	-	46,308	42,930
<b>Balance as at 31 March 2008</b>	<u>350,609</u>	<u>249,479</u>	<u>(5,654)</u>	<u>141,072</u>	<u>1,233,198</u>	<u>1,968,704</u>

<b><u>The Company</u></b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair value reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000
<b>Balance as at 1 January 2009</b>	2,059,133	249,218	(23,081)	(316,461)	1,968,809
Total comprehensive income/(loss) for the period	-	-	1,572	(26,700)	(25,128)
<b>Balance as at 31 March 2009</b>	<u>2,059,133</u>	<u>249,218</u>	<u>(21,509)</u>	<u>(343,161)</u>	<u>1,943,681</u>

<b><u>The Company</u></b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000
<b>Balance as at 1 January 2008</b>	2,056,549	249,404	(52,118)	2,253,835
Issue of shares pursuant to exercise of warrants	45	-	-	45
Total comprehensive income/(loss) for the period	-	-	(40,905)	(40,905)
<b>Balance as at 31 March 2008</b>	<u>2,056,594</u>	<u>249,404</u>	<u>(93,023)</u>	<u>2,212,975</u>

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

<b>Changes in the Share Capital of the Company for 1<sup>st</sup> Quarter Ended</b>	31/03/2009	31/03/2008
Number of ordinary shares at 1 January	535,478,498	534,992,301
Shares arising from exercise of warrants	-	17,750
Number of ordinary shares at 31 March	535,478,498	535,010,051

<b>Outstanding Warrants as at</b>	31/03/2009	31/03/2008
Outstanding warrants that are convertible into ordinary shares	-	564,928

**Notes:**

The Company's warrants had expired in October 2008.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company has no treasury shares.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

A copy of the Independent Auditor's report together with extracts of the relevant note to the condensed interim financial information is annexed to this announcement.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the year ended 31 December 2008 except for the change in presentation currency and where new/revised accounting standards became effective from this financial period as set out below:

The following are the new or revised FRS and Interpretations to FRS (INT FRS) that are relevant to the Group:

FRS 1(R)	Presentation of Financial Statements
FRS 108	Operating Segments
Revised FRS 23	Borrowing Costs

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The adoption of the above FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

FRS 1(R) requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are presented in a separate statement of comprehensive income.

The "balance sheets" and "cash flow statements" have been re-titled to "statements of financial position" and "statements of cash flows" respectively.

Comparatives figures have been restated to conform to the requirements of the revised standard.

FRS 108 requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. As the Group operates primarily in one business segment, the adoption of FRS 108 did not result in any significant impact of these financial statements.

Revised FRS 23 removes the option to recognise immediately as expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis. As the Group has been capitalising the relevant borrowing costs, the revised standard did not have any impact to the Group.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend**

	The Group	
	1 <sup>st</sup> Quarter Ended	
	31/03/2009	31/03/2008
	RMB'000	RMB'000
Net (loss)/profit for the period	(5,545)	46,308
Basic (losses)/earnings per share (in RMB cents)	(1.04)	8.66
Diluted (losses)/earnings per share (in RMB cents)	(1.04)	8.65
Weighted average no. of shares outstanding for basic earnings per share	535,478,498	535,007,463
Weighted average no. of shares outstanding for diluted earnings per share	535,478,498	535,562,572

**Explanatory Notes:**

Basic (losses)/earnings per share is calculated based on the weighted average number of shares in issue during the period under review.

Diluted (losses)/earnings per share is calculated based on the weighted average number of shares in issue during the period under review after adjusting to include the dilutive effect of the outstanding warrants as at 31 March 2008. There were no outstanding warrants as at 31 March 2009. The warrants had expired in October 2008.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	The Group		The Company	
	31/03/2009	31/12/2008	31/03/2009	31/12/2008
Net Asset Value per share (RMB cents)	250.6	251.6	363.0	367.7

Net asset value per share for the Group and Company is calculated based on 535,478,498 ordinary shares in issue at the end of the financial period under review and 535,478,498 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2008.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**(a) Review of income statement of the Group**

**1Q2009 vs 1Q2008**

**Revenue**

Revenue decreased by RMB1.21 billion or 43.0% from RMB2.82 billion in 1Q2008 to RMB1.61 billion in 1Q2009. The decrease in revenue was principally attributed to the decrease in the sales volume arising from the weaker demand of Hot Rolled Coils ("HRC") in PRC as a result of global economic downturn and the significant decrease in the average selling prices of HRC in 1Q2009 as compared to previous corresponding period.

In 1Q2009 the Group sold 536,640 tonnes of Hot Rolled Coils ("HRC") and 11,490 tonnes of steel billets as compared to 681,000 tonnes of HRC and 6,840 tonnes of steel billets in 1Q2008. Overall sales quantity decreased by 139,170 tonnes or 20.3%.

During period under review, the Group also produced 384 tonnes of roller mill which was fully consumed by the Group's HRC production. The Group started its leasing activities in 4Q2007, revenue from the leasing activities accounted for approximately 0.4% of the Group's revenue in 1Q2009.

**Cost of sales**

Cost of sales decreased by RMB1.11 billion or 42.1% from RMB 2.63 billion in 1Q2008 to RMB1.52 billion in 1Q2009. The decrease was in line with the decrease in revenue and lower raw material prices for steel production in 1Q2009 compared to the previous corresponding period.

**Gross profit**

Gross profit decreased by RMB103.0 million or 55.4% from RMB 185.8 million in 1Q2008 to RMB82.8 million in 1Q2009.

Gross profit margin decreased from 6.6% in 1Q2008 to 5.2% in 1Q2009 primarily due to the decrease in the average selling prices of HRC sold which outpaced the decrease in raw materials prices.

**Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB 7.8 million from RMB8.6 million in 1Q2008 to 0.8 million in 1Q2009. This was due to the decrease in distribution expenses in line with the lower sales quantity.

### **Administrative expenses**

Administrative expenses decreased by RMB14.4 million from RMB 47.2 million in 1Q2008 to RMB32.8 million in 1Q2009. The decrease was due to the decrease in employee related costs and general administrative expenses in line with the decrease in revenue resulting from the lower sales quantity.

### **Finance expenses**

Finance expenses decreased by RMB18.7 million from RMB 75.7 million in 1Q2008 to RMB 57.0 million in 1Q2009. The decrease was due to the lower interest rates on bank borrowings, although there was an increase in bank borrowings drawdown for general corporate and working capital purposes in 1Q2009 as compared to previous corresponding period.

### **Net loss**

Reflecting the decrease in the sales volume arising from the weaker demand of HRC in PRC as well as the significant decrease in the average selling prices of HRC in 1Q2009, the Group posted a net loss after tax of RMB 5.5 million in 1Q2009 compared to the net profit after tax of RMB 46.3 million in 1Q2008.

## **(b) Review of balance sheet of the Group as at 31 March 2009**

### **Current assets**

Current assets decreased by RMB 90.0 million from RMB 2.38 billion as at 31 December 2008 to RMB 2.29 billion as at 31 March 2009. The decrease was primarily attributable to the decrease in cash and cash equivalent and bank balances pledged with banks as securities for bank borrowings and notes payable as well as the decrease in trade and other receivables which were in line with the decrease in revenue. The decrease is partially offset by the increase in inventories.

The increase in inventories was mainly due to the increased purchase of raw materials in line with the higher production in 1Q2009 as compared to 4Q2008.

As at 31 March 2009, the Group's "trade and other receivables" was RMB 137.8 million which consisted of approximately RMB 102.7 million or 74.5% in notes receivables from customers. Trade receivables and financial lease receivables were approximately RMB 15.2 million and RMB 19.9 million, respectively.

As at 31 March 2009, the Board was of the view that no provision for doubtful debt was necessary as almost all of the sales were by way of notes receivables which were bank acceptance notes.

### **Current liabilities**

Current liabilities increased by RMB 20.0 million from RMB 2.99 billion as at 31 December 2008 to RMB 3.01 billion as at 31 March 2009. The increase was primarily attributable to the increase in bank borrowings drawn down for working capital purposes. The increase in bank borrowings was partially offset by the decrease in notes payable issued for payment to creditors and suppliers.

## **Working capital**

The Group had negative working capital of RMB 727.4 million as at 31 March 2009. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure and working capital purposes. In addition, pre-payments from customers amounting to RMB 560.0 million were recorded as current liabilities in the balance sheet.

Although the Group is in negative working capital position, it is able to service all of its debts obligations primarily through cash inflow from operations.

As at 31 March 2009, the Group had satisfactorily maintained its credit standing and facilities with financial institutions during the periods under review and the credit facilities had constantly been renewed and/or rolled-over annually by the financial institutions.

## **Non current assets – Property, plant and equipment**

Property, plant and equipment decreased by RMB 60.0 million from RMB3.52 billion as at 31 December 2008 to RMB3.46 billion as at 31 March 2009 primarily due to the provision for depreciation for the period under review. The decrease is partially offset by the increase in the capital expenditure incurred on the construction of progress of the mill roll plant at Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll").

## **(c) Review of cash flow statement of the Group**

### **1Q2009 vs 1Q2008**

#### **Net Cash Generated From Operating Activities**

Operating cashflow before working capital changes decreased by RMB44.5 million from RMB181.9 million in 1Q2008 to RMB137.4 million in 1Q2009. The decrease was primarily due to the decrease in operating profit. Cash used in working capital was RMB410.6 million in 1Q2009, attributable mainly to the increase in payments to creditors and suppliers as well as increase in inventories and finance lease receivables during the period under review. The cash used for working capital was partially offset by the decrease in bank balances pledged as securities for bank borrowings and notes payable.

The increase in inventories was mainly due to the increased purchase of raw materials in line with the higher production in 1Q2009 while the increase in finance lease receivables was in line with the increase in leasing activities in 1Q2009.

After taking into consideration cash used for working capital and income tax paid of RMB2.6 million, the net cash used in operating activities was RMB 275.8 million in 1Q2009.

#### **Net Cash Used In Investing Activities**

Net cash used in investing activities was RMB 46.8 million in 1Q2009. This comprised principally payment for construction in progress in relation to the mill roll at Xingtai Delong and the Group invested RMB20.0 million in a new business entity, Bohai Steel Alliance Co., Ltd ("Bohai Steel") in PRC during the period under review. Bohai Steel's principal activity is the import and export of raw materials, finished products and technology.



### **Net Cash Used in Financing Activities**

Net cash generated from financing activities was RMB117.9 million in 1Q2009. This was mainly attributable to the drawdown of short-term loans of RMB780.0 million for working capital less principal and interest repayments of RMB 660.1 million.

#### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Company issued Profit Guidance on 30 April 2009 in which the directors said that Delong will report a marginal loss for the period ended 31 March 2009.

#### **10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period for the next 12 months**

Weakness in the global financial markets and demand for steel and steel-related products for the first quarter of FY2009 continued to impact the performance of the PRC steel industry.

In view of these challenging market conditions, the company will continue to focus on cost containment initiatives and productivity enhancements to optimize its operating performance in the following periods.

### **Cost Containment Measures**

#### **Long-term Contracts/Raw Material Costs**

Fluctuating raw material costs continues to be a concern for global steel manufacturers. To mitigate future price fluctuations and to ensure a steady iron ore supply, Delong is actively exploring opportunities to optimize its mix of the long term contracts and spot markets for the purchase of raw materials.

#### **Possible Acquisition by Evraz Group S.A.**

On 19 February 2008, the Group announced that Evraz Group S.A. ("Evraz") – Russia's second largest steelmaker – had entered into a share purchase agreement (the "SPA") with Delong's existing majority shareholder Best Decade Holdings Limited ("Best Decade"), Ding Ligu and Zhao Jing (collectively, the "Covenantors") pursuant to which Evraz agreed to acquire from Best Decade an initial 10.01% stake in Delong which will be further raised to 51% upon obtaining the necessary approvals from the PRC regulatory authorities.

Subsequent to the abovementioned announcement, Evraz had on 15 August 2008, announced that it had entered into a supplemental agreement ("Supplemental Agreement") with Best Decade and the Covenantors to amend the terms of the SPA pursuant to which Evraz, Best Decade and the Covenantors agreed, inter alia, to extend the period for which Evraz will be entitled to exercise its option ("Call Option") to call for approximately 32.08% of the shares held by Best Decade in Delong ("Option Shares"), and the period for which Best Decade will be entitled to exercise its option ("Put Option") to put the Option Shares to Evraz to 18 February 2009, if (amongst other conditions required to be fulfilled under the SPA) the necessary anti-trust approvals from the PRC regulatory authorities are obtained prior to the expiry of the extended period.

Subsequently, Evraz had on 11 February 2009, announced that it had entered into a second supplemental agreement with Best Decade and the Covenantors to amend the terms of the SPA (as amended by the Supplemental Agreement), pursuant to which Evraz, Best Decade and the Covenantors agreed, inter alia, to further extend the period for which Evraz is entitled to exercise its Call Option and the period for which Best

Decade is entitled to exercise its Put Option subject to satisfaction of certain conditions (including the necessary anti-trust approvals from the PRC regulatory authorities) to 18 August 2009. As at 11 February 2009, the review of the anti-trust approval has yet to be completed. Evraz and Best Decade are currently working closely with the relevant PRC authorities to obtain the necessary anti-trust approval for the acquisition and will advise shareholders on any developments that occur.

### **Business Outlook**

The volatility in raw material prices coupled with an excess supply of steel products may continue to place pressures on the performances of steel manufacturers in the PRC.

The credit market remains tight and the Group is in a net current liabilities position. However, the Group has existing secured and unsecured credit facilities with various domestic and foreign financial institutions which the Group will call upon if such need arises.

### **11. Dividend**

(a) **Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? No.

(b) **Corresponding Period of the Immediately Preceding Financial Year**

*Any dividend declared for the corresponding period of the immediately preceding financial year? No*

(C) **Date payable and Book Closure Date**

N.A.

### **12. If no dividend has been declared/recommended, a statement to that effect**

The Board of Directors of the Company does not recommend that a dividend be paid for the first quarter 31 March 2009.

**PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2,Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

N.A

15. A breakdown of Sales

N.A

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

N.A

**BY ORDER OF THE BOARD**

Ding Ligu  
Executive Chairman