DELONG HOLDINGS LIMITED

(REG NO.199705215G)

Second Quarter Financial Statements Announcement

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

INTRODUCTION

On 8 March 2005, the Company completed the acquisition of Asia Paragon International Limited ("Asia Paragon") and its subsidiary, Delong Steel Limited ("Delong Steel") (collectively "Asia Paragon Group") from Best Decade Holdings Limited ("Best Decade") for a purchase consideration of S$367,500,000 ("Acquisition"). The effective date of completion was 1 January 2005.

The purchase consideration was satisfied by the allotment and issuance of 4,900,000,000 new ordinary shares in the Company at S$0.075 per share. Following the allotment and issuance of the shares, Best Decade emerged as the new single largest shareholder of the Company.

The Company also completed the allotment and issuance of 234,150,000 new ordinary shares at S$0.09 per share raising net proceeds of S$20.4 million. As of the date of this announcement, the Company had utilised the net proceeds for the following purposes:-

		Announced on 23/2/05	Utilised	Balance	Remark
		S$'000	S$'000	S$'000	
1.	Bank Loans repayment	15,000	14,500	500	Please refer to Announcement dated 4 July 2005 for details.
2.	Working capital	5,391	5,391	-	
	Total	20,391	19,891	500	Balance of S$500,000 used for working capital purposes.

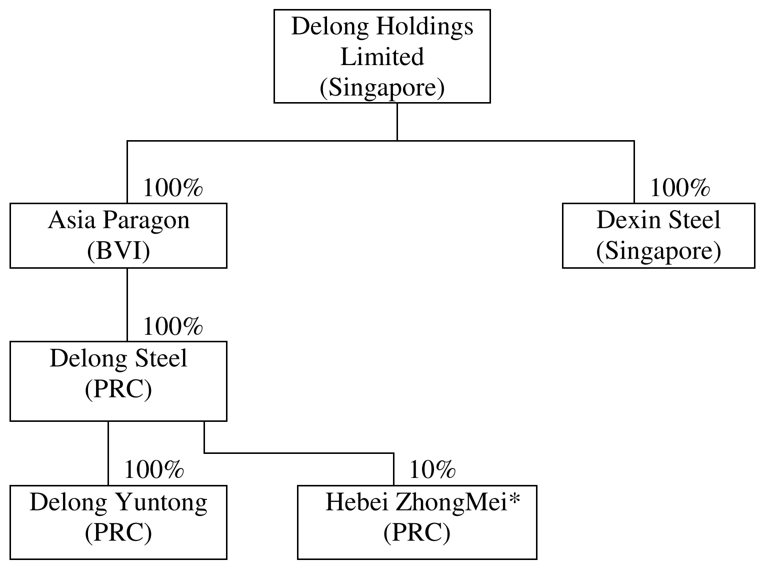
Simultaneous with the Acquisition, the Company had also completed the disposal of Fine Components (Thailand) Co. Ltd which marked the exit of the Group from the automotive components industry.

On 1 January 2005, the Company's wholly-owned subsidiary companies comprised Asia Paragon and its subsidiary, Delong Steel and Dexin Steel Pte. Ltd ("Dexin Steel", formerly known as Team Precision Pte. Ltd) which is a steel trading and procurement company incorporated in Singapore where its operation is located.

On 19 April 2005, Delong Steel incorporated a new subsidiary, Delong Yuntong Steel International Trading (Beijing) Co., Ltd in the People's Republic of China ("PRC"). The principal businesses of Delong Yuntong are agent for import and export of steel products, mineral ores and related materials, as well as investment in resources-related project

The Group's new core business is the manufacture and sale of steel billets and mid-width hot-rolled steel coils with the Peoples' Republic of China as our principal market.

The present corporate structure of the Group is as follows:



* Hebei Zhongmei Xuyang Coking Co., Ltd ("Hebei ZhongMei")

BASIS OF PREPARATION

At the Group's level

The Acquisition has been accounted for as a reverse acquisition and the legal subsidiary (i.e. Asia Paragon) is considered the acquirer for accounting purposes. Accordingly, effective 1 January 2005, the Group's consolidated income statement, balance sheet, statement of changes in equity and cash flow statement have been prepared as a continuation of Asia Paragon's financial statements.

Since such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary (i.e. Asia Paragon),

(a) the assets and liabilities of Asia Paragon Group are recognized and measured in the consolidated balance sheet at their pre-combination carrying amounts of Asia Paragon Group;

(b) the retained earnings and other equity balances recognized in those consolidated financial statements are the retained earnings and other equity balances of the Asia Paragon Group immediately before the business combination;

(c) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of Asia Paragon immediately before the business combination the costs of the combination of the acquisition. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) shall reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent (i.e. the Company) to effect the combination; and

(d) the comparative figures presented in these consolidated financial statements are that of the legal subsidiary (i.e. Asia Paragon Group).

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (i.e. the acquiree for accounting purposes). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values at 1 January 2005. The excess of the cost of the combination over Asia Paragon's interest in the net fair value of those items is recognised as goodwill on the consolidated balance sheet.

At the Company's level

Reverse acquisition accounting applies only in the consolidated financial statements. Therefore, in the legal parent (i.e. the Company)'s separate financial statements, the investment in the legal subsidiary (i.e. Asia Paragon) is accounted for at cost less accumulated impairment losses in the Company's balance sheet.

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

	The Group					
	2nd Quarter Ended		Increase	Half Year Ended		Increase
	30/06/2005	30/06/2004*	(Decrease)	30/06/2005	30/06/2004*	(Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
	(Unaudited)	(Unaudited)		**(Audited)**	(Uuudited)	
Sales	237,733	147,253	61.4	461,618	336,722	37.1
Cost of sales	(180,049)	(149,960)	20.1	(351,947)	(313,126)	12.4
Gross Profit/(Loss)	**57,684**	**(2,707)**	**NM**	**109,671**	**23,596**	**NM**
Other operating income	977	1,378	(29.1)	1,884	1,738	8.4
Distribution expenses	(900)	(127)	608.6	(2,422)	(183)	NM
Administrative expenses	(3,736)	(1,942)	92.4	(5,695)	(3,909)	45.7
Other operating expenses	(50)	(638)	(92.2)	(311)	(1,213)	(74.4)
Profit/(loss) from operations	**53,975**	**(4,036)**	**NM**	**103,127**	**20,029**	**NM**
Exceptional items**	(322)	-	NM	(12,786)	-	NM
Finance costs	(1,926)	(1,162)	65.8	(3,734)	(2,953)	26.4
Profit/(loss) before tax	51,727	(5,198)	NM	86,607	17,076	407.2
Tax***	-	1,106	NM	-	(6,694)	NM
Profit/(losss) after tax	**51,727**	**(4,092)**	**1364.1**	**86,607**	**10,382**	**734.2**

NM: Not meaningful

Notes:-

* The comparative figures for the financial period ended 30 June 2004 are that of Asia Paragon Group. The Company and Dexin Steel have been excluded from 30 June 2004 comparative figures and the amounts are insignificant.

** Exceptional items comprise:

	The Group			
	2nd Quarter Ended		Half Year Ended	
	30/06/2005	30/06/2004	30/06/2005	30/06/2004
	S$'000	S$'000	S$'000	S$'000
	(Unaudited)	(Unaudited)	**(Audited)**	(Unaudited)
Impairment goodwill on the Acquisition	-	-	11,941	-
Expenses relating to the Acquisition	322	-	845	-
	322	-	12,786	-

*** Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of the PRC, is entitled to a two-year full tax exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore there is no tax expense for Delong Steel for second quarter ended 30 June 2005 ("2Q2005") and for the six-month period ended 30 June 2005 ("1H2005").

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

	The Group S$'000		The Company S$'000	
	As at 30-06-05 **(Audited)**	As at 31-12-04 (Unaudited)	As at 30-06-05 (Unaudited)	As at 31-12-04 (Unaudited)
Current Assets				
Cash and cash equivalents	54,001	41,044	475	402
Bank balances pledged	3,272	25,870	-	-
Trade and other receivables	53,017	64,622	54	32
Inventories	76,498	91,710	-	-
	186,788	223,246	529	434
Non-current assets				
Subsidiaries	-	-	386,143	6,357
Available-for-sale financial asset	2,045	1,990	-	-
Property, plant and equipment	260,694	193,086	-	83
	262,739	195,076	386,143	6,440
Total assets	449,527	418,322	386,672	6,874
Current liabilities				
Trade and other payables	128,657	148,742	274	6,212
Notes payables	3,272	22,487	-	-
Borrowings	97,281	147,287	-	501
Provision for current tax	27,833	31,058	7	7
Total current liabilities	257,043	349,574	281	6,720
Non-current liabilities				
Borrowings	8,412	11,241	-	60
Deferred tax liabilities	140	-	3	3
	8,552	11,241	3	63
CAPITAL AND RESERVE:				
Share capital	58,377	34,230	265,001	8,293
Reserves	125,555	23,277	121,387	(8,202)
Total equity	183,932	57,507	386,388	91
Total liabilities and equity	449,527	418,322	386,672	6,874

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 30-06-2005 **(Audited)**		As at 31-12-2004 (Unaudited)	
Secured	Unsecured*	Secured	Unsecured*
S$'000	S$'000	S$'000	S$'000
78,876	18,405	91,214	56,073

Amount repayable after one year

As at 30-06-2005 **(Audited)**		As at 31-12-2004 (Unaudited)	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
8,412	-	11,241	-

Details of any collateral

The Group's borrowings are secured by the following:

(i) Corporate guarantee by the Company and;
(ii) Certain property, plant and equipment of the Group

*Borrowings amounting to S$18,405,000 (31-12-2004:S$34,825,000) were guaranteed.

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			
	2nd Quarter Ended		Half Year Ended	
	30/06/2005	30/06/2004	30/06/2005	30/06/2004
	S$'000	S$'000	S$'000	S$'000
	(Unaudited)	(Unaudited)	**(Audited)**	(Unaudited)
Cash flows from operating activities:				
Profit before taxation	51,727	(5,198)	86,607	17,076
Adjustments for:				
Depreciation	4,646	5,808	9,057	10,425
Impairment of goodwill	-	-	11,941	-
Loss on disposal of property, plant and equipment	-	500	8	916
Interest income	(243)	72	(478)	(152)
Interest expense	1,926	247	3,734	2,431
	6,329	6,627	24,262	13,620
Operating cash flow before working capital changes	58,056	1,429	110,869	30,696
Bank balances pledged	25,928	(12,967)	22,598	(596)
Receivables	100,533	(14,326)	13,757	(49,968)
Inventories	16,262	19,423	15,212	7,924
Payables	(111,743)	(10,781)	(33,079)	29,362
	30,980	(18,651)	18,488	(13,278)
Cash generated from/ (used in) operating activities	89,036	(17,222)	129,357	17,418
Income tax paid	(3,388)	(87)	(3,225)	(3,608)
Interest received	243	(72)	478	152
Exchange differences	1,608	518	(3,140)	-
	(1,537)	359	(5,887)	(3,456)
Net cash generated from/ (used in) operating activities	87,499	(16,863)	123,470	13,962
Cash flows from investing activities:				
Payment for property, plant and equipment	(59,629)	-	(75,936)	(4,282)
Proceeds from disposal of property, plant and equipment	-	8,795	71	191
Net cash flow on acquisition of subsidiary	-	-	442	-
Net cash (used in) /generated from investing activities	(59,629)	8,795	(75,423)	(4,091)
Cash flows from financing activities:				
Proceeds from borrowings	-	145	21,890	18,703
Repayment of borrowings	(45,261)	(8,762)	(52,354)	(23,019)
(Decrease)/ Increase in amount due to a related party	(12,439)	1,747	(21,248)	1,747
Proceeds from Share Placement	-	-	21,074	-
Expenses for Share Placement	-	-	(718)	-
Interest paid	(1,926)	(1,232)	(3,734)	(3,388)
Net cash used in financing activities	(59,626)	(8,102)	(35,090)	(5,957)
Net (decrease)/ increase in cash and cash equivalents	(31,756)	(16,170)	12,957	3,914
Cash and cash equivalents at beginning of the period	85,757	33,723	41,044	13,639
Cash and cash equivalents at end of the period	54,001	17,553	54,001	17,553

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

The Group

	Issued Capital	Share Premium	Translation Reserves	Statutory Reserves	Other Reserves	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 January 2005							
As previously reported (Note 1)	34,230	-	(29)	2,860	-	20,446	57,507
Effect of FRS 39	-	-	-	-	-	4,822	4,822
Restated	34,230	-	(29)	2,860	-	25,268	62,329
Cost of acquisition of the Company by Asia Paragon (Note 2)	12,439	-	-	-	-	-	12,439
Issue of shares pursuant to Share Placement	11,708	8,648	-	-	-	-	20,356
Currency translation differences	-	-	538	-	-	-	538
Net profit for the period	-	-	-	-	-	34,880	34,880
Balance as at 31 March 2005	58,377	8,648	509	2,860	-	60,148	130,542
Currency translation differences	-	-	1,663	-	-	-	1,663
Net profit for the period	-	-				51,727	51,727
Balance as at 30 June 2005	58,377	8,648	2,172	2,860	-	111,875	183,932
Balance as at 1 January 2004(Note 3)	1	-	-	-	43,780	-	43,781
Net profit for the period	-	-	-	-	-	14,474	14,474
Transfer from retained earnings to other reserves(Note 4)	-	-	-	-	14,474	(14,474)	-
Balance as at 31 March 2004	1	-	-	-	58,254	-	58,255
Net loss for the period						(4,092)	(4,092)
Transfer from retained earnings to other reserves (note 4)					(4,092)	4,092	-
Balance as at 30 June 2004 (Note 3)	1	-	-	-	54,162	-	54,163

Explanatory notes:

As the consolidated financial statements represent a continuation of the financial statements of the legal subsidiary (i.e. Asia Paragon), the amount recognized as issued equity instruments in consolidated financial statements shall be determined by adding to the issued equity of Asia Paragon (i.e. legal subsidiary) immediately before the Acquisition, the cost of combination determined below in Note 2.

The issued equity of the consolidated financial statements is therefore different from that of the Company (i.e. legal parent), although the equity structure (i.e. the number and type of equity instruments issued) shall reflect that of the Company, including the equity instruments issued by the Company to effect the Acquisition.

Note 1: Share capital and reserves as at 1 January 2005 represents that of Asia Paragon (i.e. legal subsidiary) and its subsidiary, the acquirer of the reverse acquisition for accounting purposes.

Note 2: The adjustment arose from reverse acquisition accounting and represents the cost of acquisition by Asia Paragon International Limited (the legal subsidiary) of the Company (the legal parent). The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition being 165,850,000 shares at 7.5 cents each. It is deemed to be incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity issued to the owners of the legal parent (i.e. the acquiree for accounting purposes).

Note 3: Share capital and other reserves as at 1 January 2004 and 30 June 2004 represents the net carrying amount of the assets and liabilities of Xingtai Delong Iron and Steel Co., Ltd, prior to a restructuring exercise undertaken by Delong Steel, a subsidiary of Asia Paragon on 12 July 2004.

Note 4: This represents the net profit of Xingtai Delong for the period transferred to other reserve.

The Company	**Share capital**	**Share premium**	**Retained earnings**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Balance as at 1 January 2005	8,293	7,520	(15,722)	91
Issue of shares pursuant to the Acquisition	245,000	122,500	-	367,500
Issue of shares pursuant to share placement	11,708	8,648	-	20,356
Issue of shares pursuant to exercise of warrants*	-	-	-	-
Net loss for the period	-	-	(884)	(884)
Balance as at 31 March 2005	265,001	138,668	(16,606)	387,063
Issue of shares pursuant to exercise of warrants+	-	-	-	-
Net loss for the period	-	-	(675)	(675)
Balance as at 30 June 2005	265,001	138,668	(17,281)	386,388
Balance as at 1 January 2004	7,293	7,057	(8,627)	5,723
Net loss for the period	-	-	(152)	(152)
Balance as at 31 March 2004	7,293	7,057	(8,779)	5,571
Net loss for the period	-	-	(2,789)	(2,789)
Balance as at 30 June 2004	7,293	7,057	(11,568)	2,782

* On 24 February 2005, the Company issued 2,500 ordinary shares at S$0.05 per share pursuant to the exercise of warrants. The amount is not shown due to rounding-off effects.

\+ On 19 May 2005, the Company issued 500 ordinary shares at S$0.05 per share pursuant to the exercise of warrants. The amount is not shown due to rounding-off effects.

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 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

Changes in the Share Capital of the Company for 2nd Quarter Ended	30-06-05	30-06-04
Number of ordinary shares at beginning of period	5,300,002,500	145,850,000
Shares arising from exercise of Warrant	500	-
Number of ordinary shares at end of period	5,300,003,000	145,850,000

Outstanding Warrants as at	30-06-05	30-06-04
Outstanding warrants that are convertible into ordinary shares	55,746,985	55,749,985

On 19 May 2005, the Company issued 500 new shares arising from the conversion of warrants.

Other than as disclosed above, no other shares were issued for 2Q2005.

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)**

Figures for the balance sheet, income statement, cash flow statement and statement of changes in equity of the Group for the six months period are based on the audited interim financial statements of the Group for the six months ended 30 June 2005. As for the other figures in this announcement, they have not been audited or reviewed.

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

Not applicable as the auditors did not perform an audit or review of all the financial information presented in this announcement.

The auditors' report to the directors on the interim financial statements of the Group for six months period ended 30 June 2005 was unqualified..

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

In 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below which are relevant to its operation:

FRS 1 (revised 2004) Presentation of Financial Statements
FRS 2 (revised 2004) Inventories
FRS 8 (revised 2004) Account Policies, Changes in Accounting Estimates and Errors
FRS10 (revised 2004) Events after the Balance Sheet Date
FRS16 (revised 2004) Property Plant and Equipment
FRS17 (revised 2004) Leases
FRS21 (revised 2004) The Effects of Changes in foreign Exchange Rates
FRS24 (revised 2004) Related Party Disclosures
FRS27 (revised 2004) Consolidated and Separate Financial Statements
FRS32 (revised 2004) Financial Instruments: Disclosure and Presentation
FRS33 (revised 2004) Earning per Share
FRS36 (revised 2004) Impairment of Assets
FRS39 (revised 2004) Financial Instruments: Recognition and Measurement
FRS103 Business Combinations

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 material changes to the Group's and Company's financial results except for the adoption of FRS39 for which the effects are set out below:

Consolidated balance sheet as at 30 June 2005	
Borrowings-non-current	(S$4,822,000)

Consolidated balance sheet as at 1 January 2005	
Retained earning	S$4,822,000

FRS 39 requires all financial assets and liabilities to be classified into appropriate categories at initial recognition and re-evaluates this designation at every reporting date. Financial liabilities not held for trading nor designated as fair value through profit and loss to be recognized initially at its fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest rate method. Previously, borrowings were stated at the proceeds received, net of transaction costs.

In accordance with the transactional provision as set out in FRS 39, the comparatives as at 31 December 2004 were not adjusted.

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			
	2nd Quarter Ended		Half Year Ended	
	30/06/2005 S$'000	30/06/2004 S$'000	30/06/2005 S$'000	30/06/2004 S$'000
Net profit/ (loss) for the period	51,727	(4,092)	86,607	10,382
Basic earnings/(loss) per share (in cents)	0.98	(0.08)	1.66	0.21
Diluted earnings/ (loss) per share (in cents)	0.97	(0.08)	1.65	0.21
Weighted average no. of shares used for Basic earnings per share	5,300,002,739	4,900,000,000	5,214,146,853	4,900,000,000

Explanatory Notes:

(a) Basic earnings per share is calculated based on the weighted average number of shares in issue during the period under review. Weighted average number of shares in issue for 2Q2005 and 1H2005 represents weighted number of ordinary shares in issue for 2Q2005 and 1H2005 of the Company, assuming the 4,900,000,000 shares issued to Best Decade pursuant to the Acquisition has been outstanding through out the period.

(b) Diluted earnings per share is calculated based on weighted average number of shares in issue during the period under review, after adjusting to include the dilutive effect of the outstanding warrants for 2Q2005 and 1H2005.

(c) Weighted average number of shares outstanding during the quarter ended 30 June 2004 ("2Q2004")and six-month period ended 30 June 2004 (1H2004) represent the number of ordinary shares issued to Best Decade pursuant to the Acquisition (i.e. 4,900,000,000 shares).

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	The Group		The Company	
	30 Jun 2005	31 Dec 2004	30 Jun 2005	31 Dec 2004
Net Asset Value per share (cents)	3.47	1.17	7.29	0.05

Net asset value per share for the Group and Company as at 30 June 2005 is calculated based on 5,300,003,000 ordinary shares in issue at the end of the financial period under review.

Net asset value per share for the Group and Company as at 31 December 2004 is calculated based on 4,900,000,000 ordinary shares issued pursuant to the Acquisition and 165,850,000 ordinary shares in issue as at 31 December 2004 respectively.

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**

On 1 January 2005, the Company's subsidiary companies comprised Asia Paragon and its subsidiary, Delong Steel and Dexin Steel which is a steel trading and procurement company incorporated in Singapore where its operation is located.

On 19 April 2005, Delong Steel incorporated a new subsidiary, Delong Yuntong Steel International Trading (Beijing) Co., Ltd in the PRC. The principal businesses of Delong Yuntong are agent for import and export of steel products, mineral ores and related materials, as well as investment in resources-related projects.

The Group's new core business is the manufacture and sale of steel billets and mid-width hot-rolled steel coils with the PRC as our principal market.

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

2Q 2005 vs 2Q 2004

Revenue

The Group's revenue increased by S$90.4 million or 61.4% from S$147.3 million in 2Q2004 to S$237.7 million in 2Q2005. The increase in revenue was principally attributable to the increase in volume of products sold and change in product mix.

The Group sold 332,000 tonnes of mid-width steel coils and 13,000 tonnes of steel billets in 2Q2005 as compared to 197,000 tonnes of mid-width steel coils and 95,000 tonnes of steel billets in 2Q2004. Overall sales volume increased by 53,000 tonnes or 18.2%. The average selling prices (in RMB) of the Group's products also increased.

Cost of sales

Cost of sales increased by S$30.1 million or 20.1% from S$150.0 million in 2Q2004 to S$180.1 million in 2Q2005 and was in line with the increase in volume of products sold.

Gross profit

Gross profit increased by S$60.4 million from a gross loss of S$2.7 million in 2Q2004 to a gross profit of S$57.7 in 2Q2005. Gross profit margin was 24.3% in 2Q2005 as compared to a gross loss margin of 1.8% in 2Q2004. The higher gross profit margin in 2Q2005 was primarily due to the increase in revenue, change in product mix and the decrease in average cost of sales as explained above.

Distribution expenses

Distribution expenses increased by S$0.8 million from S$0.1 million in 2Q2004 to S$0.9 million in 2Q2005. Effective 1 January 2005, the Group commenced delivering its products to certain customers. Prior to 1 January 2005, all sales made by the Group were ex-factory.

Administrative expenses

Administrative expenses increased by 92.4% or S$1.8 million from S$1.9 million in 2Q2004 to S$3.7 in 2Q2005 due to increase in employee-related costs and general administrative expenses in line with the increase in sales volume.

Operating Profit

Operating profit increased by S$58.0 million, from a operating loss of S$4.0 million in 2Q2004 to an operating profit of S$54.0 million in 2Q2005, representing an operating profit margin of 22.7% in 2Q2005 as compared to an operating loss margin of 2.74% in 2Q2004. The improvement in operating profit was primarily due to improvement in gross profit margin in 2Q2005.

Exceptional items

This relates to professional fees arising from the Acquisition.

Tax

Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of PRC, is entitled to a two-year full tax exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore, there was no tax expense for the 2Q2005. In 2Q2004, there was an adjustment for the over-provision of tax in respect of 1Q2004 amounting to S$1.1 million.

Net profit

Net profit after tax and exceptional items increased by S$55.8 million from a net loss of S$4.1 million in 2Q2004 to a net profit of S$51.7 million in 2Q2005, representing a net loss margin of 2.8% in 2Q2004 and a net profit margin of 21.7% in 2Q2005. The higher net profit margin in 2Q2005 was primarily attributable to the higher operating profit margin.

<u>1H2005 vs 1H2004</u>

Revenue

The Group's revenue increased by S$124.9 million or 37.1% from S$336.7 million in 1H2004 to S$461.6 million in 1H2005. The increase in revenue was principally attributable to the increase in volume of products sold and change in product mix.

The Group sold 619,000 tonnes of mid-width steel coils and 76,000 tonnes of steel billets in 1H2005 as compared to 345,000 tonnes of mid-width steel coils and 243,000 tonnes of steel billets in 1H2004. Overall sales volume increased by 107,000 tonnes or 18.2%. The average selling prices (in RMB) of the Group's products have also increased.

Cost of sales

Cost of sales increased by S$38.8 million or 12.4% from S$313.1 million in 1H2004 to S$351.9 million in 1H2005 in line with the increase in volume of products sold.

Gross profit

Gross profit increased by S$86.1 million or 364.8% from S$23.6 million in 1H2004 to S$109.7 million in 1H2005. Gross profit margin increased from 7.0% in 1H2004 to 23.7% in 1H2005. The higher gross profit margin was primarily due to the increase in revenue, change in product mix and the decrease in average cost of sales as explained above.

Distribution expenses

Distribution expenses increased by S$2.2 million from S$0.2 million in 1H2004 to S$2.4 million in 1H2005. Effective 1 January 2005, the Group commenced delivering its products to certain customers. Prior to 1 January 2005, all sales made by the Group were ex-factory.

Administrative expenses

Administrative expenses increased by 45.7% or S$1.8 million from S$3.9 million in 1H2004 to S$5.7 in 1H2005 due to increase in employee related costs and general administrative expenses in line with the increase in sales volume.

Operating Profit

Operating profit increased by S$83.1 million or 414.9% from S$20.0 million in 1H2004 to S$103.1 million in 1H2005 representing an operating profit margin of 5.9% in 1H2004 and 22.3% in 1H2005. The improvement in operating profit was primarily due to improvement in gross profit margin in 1H2005.

Exceptional items

This relates to professional fees and goodwill written off arising from the reverse acquisition accounting adopted by the Group in respect of the Acquisition.

Tax

Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of PRC, is entitled to a two-year full tax exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore, there is no tax expense for 1H2005.

Net profit

Net profit after tax and exceptional items increased by S$76.2 million or 734.2% from S$10.4 million in 1H2004 to S$86.6 million in 1H2005 representing a net profit margin of 3.1% in 1H2004 and 18.8% in 1H2005. Excluding the exceptional item as mentioned above, the net profit for 1H2005 would be S$99.4 million representing a net profit margin of 21.5%. The higher net profit margin was primarily attributable to the higher operating profit margin in 1H2005.

(b) Review of balance sheet of the Group as at 30 June 2005

Current assets

Current assets decreased by S$36.4 million or 16.3% from S$223.2 million as at 31 December 2004 to S$186.8 million as at 30 June 2005. The decrease was primarily attributable to the decrease in cash and bank balances pledged of S$9.6 million, improvements in trade and other receivables of S$11.6 million and inventories of S$ 15.2 million respectively. The decrease was in line with the decrease in current liabilities.

As at 30 June 2005, approximately 74.6% of the Group's "trade and other receivables" comprised notes receivables from the customers and pre-payments to the vendors, 25.4% or S$13.5 million trade receivables and others.

Current liabilities

Current liabilities decreased by S$92.5 million or 26.5% from S$349.5 million as at 31 December 2004 to S$257.0 million as at 30 June 2005. The decrease was primarily attributable to the repayments of bank borrowings of S$50.0 million, notes payable of S$19.2 million, trade and other payables of S$20.1 million and tax of S$3.2 million.

Working capital

The Group's negative working capital reduced by S$56.0 million or 44.3% from S$126.3 million as at 31 December 2004 to S$70.3 million as at 30 June 2005. The Group's negative working capital position was mainly due to the use of short term bank loans to finance the purchase of plant and equipment in FY2004 and earlier. In addition, there were significant prepayments from customers recorded as current liabilities in the balance sheet.

In addition, the Group had satisfactorily maintained its credit facilities with financial institutions during the period 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 increased by S$67.6 million from S$193.1 million in 1H2004 to S$260.7 million in 1H2005. The increase was primarily due to the purchase of land, office building and construction in progress in relation to the improvement and upgrading of facilities at Delong Steel in Xingtai City to progressively increase the production capacity from 1.4 million tonnes per year currently. The upgrading activities commenced in May 2005 and are scheduled to fully complete in 4Q2006.

(c) Review of cash flow statement of the Group

2Q2005 vs 2Q2004

Net Cash Generated From / (Used in) Operating Activities

Operating cashflow before working capital changes increased by S$56.7 million from S$1.4 million in 2Q2004 to S$58.1 million in 2Q2005. The increase was primarily due to increase in operating profit. Net cash generated from operating activities also increased by S$104.4 million, from net cash used in operating activities of S$16.9 million in 2Q2004 to net cash generated form operating activities of S$87.5 million in 2Q2005. The increase was primarily due to improvements in receivables, inventories and bank balances pledged with the bank. The increase was partially offset by the decrease in payables.

Net Cash (Used In)/ Generated from Investing Activities

Net cash used for investing activities increased by S$68.4 million from net cash generated in investing activities of S$8.8 million in 2Q2004 to net cash used in investing activities of S$59.6 million in 2Q2005. The increase was in line with the increase in non-current assets in relation to the capacity expansion works at Delong Steel.

Net Cash Used In Financing Activities

Net cash used in financing activities increased by S$51.5 million from S$8.1 million in 2Q2004 to S$59.6 million in 1Q2005. The increase was primarily due to repayment of bank borrowings during the period under review.

1H2005 vs 1H2004

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S$80.2 million from S$30.7 million in 1H2004 to S$110.9 million in 1H2005. The increase was primarily due to increase in operating profit. Net cash generated from operating activities also increased by S$109.5 million from S$14.0 million in 1H2004 to S$123.5 million in 1H2005. The increase was primarily due to improvements in receivables, inventories and bank balances pledged with the bank. The increase was partially offset by the decrease in payables.

Net Cash Used In Investing Activities

Net cash used for investing activities increased by S$71.3 million from S$4.1 million in 1H2004 to S$75.4 million in 1H2005. The increase was in line with the increase in non-current assets in relation to the capacity expansion works at Delong Steel.

Net Cash Used In Financing Activities

Net cash used in financing activities increased by S$29.1 million from S$6.0 million in 1H2004 to S$35.1 million in 1H2005. This was primarily due to repayment of bank borrowings during the period under review. The increase was partially offset by the net proceeds from the share placement exercise which was completed in March 2005 amounting to S$20.4 million.

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

The Group's 2Q2005 results are in line with the commentary made under paragraph 10 of the Company's First Quarter Financial Statement Announcement for the period ended 31 March 2005 released on 21 April 2005 as the 2Q2005 performance was better than that of 1Q2005.

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

The global steel market has witnessed significant fluctuations in recent months. While the Group had benefited from the increase in prices of hot-rolled mid-width steel coils in the first half of 2005, particularly in 2Q2005, steel prices are expected to fluctuate in 3Q2005.

The Group is nonetheless positive about its prospects in the second half of 2005 and over the longer term. This confidence is underpinned by the following factors:

1) Despite the cyclical fluctuations, demand for Delong Steel's products remains strong within China, based on indications from its major customers. Delong's production facility, located near its major customers in Hebei province, is running at full capacity. Prospects for hot-rolled mid-width steel coils – in particular – are therefore expected to be good. In China, the outlook for infrastructure projects, particularly development of transportation networks requiring significant quantity of mid-width steel coils, remains robust in the run-up to the 2008 Beijing Olympics Games and beyond, in line with infrastructure development plans announced by the PRC Government.

2) The recent strengthening of the Renminbi is expected to benefit the Group, given that the value of our imported raw materials exceeds that of our exports, and that our client base remains largely within China itself.

3) Enhancement of Delong Steel's existing facilities is currently in progress. Construction has begun on an adjacent 341,534-square-metre site acquired in April 2005. The Group is embarking on efforts to gradually increase its total annual production capacity of hot-rolled mid-width steel coils at Xingtai City from the current 1.4 million tonnes through technical improvements. The first phase of these technical enhancements is expected to conclude at the end of 1Q2006.

4) The Group is continuously making efforts to improve operational efficiencies, which have helped Delong Steel achieve better performance in several key areas compared to many of its competitors within China. These efforts include: a) optimal use of raw materials and recycling of energy and waste substances; b) constant monitoring of performance benchmarks at each stage of production to increase efficiency levels; c) up-to-date assessment of market forces affecting prices of raw materials, billets and steel coils; and d) redeployment of human resources to achieve higher cost savings and implementation of staff incentives to encourage higher sales and productivity.

Beyond the technical enhancement plans outlined, the Group is also on the lookout for future expansion through mergers with and acquisitions of steel-making and related companies. Such activities will allow the Group to leverage on its management experience, economies of scale and operational know-how to enhance the performance of the companies which may be acquired.

The underlying demand for steel sector, particularly within China, remains strong. As such, barring unforeseen circumstances, the Directors are confident that the 3Q2005 and the second half of FY2005 will remain profitable.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(C) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

No dividend has been paid, declared or recommended by the Company since the end of 31 December 2004.

The Board of Directors of the Company does not recommend that a dividend be paid for the 1H2005.

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.

N.A

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 Liguo
Executive Chairman