



德龙控股
DELONG HOLDINGS

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 second quarter ended 30 June 2007 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
2 August 2007



德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 2007

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

- 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					
		2 nd Quarter Ended		Increase	Half Year Ended		Increase
		30/06/2007	30/06/2006	(Decrease)	30/06/2007	30/06/2006	(Decrease)
Note		S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Sales	373,678	265,758	40.6	646,166	471,869	36.9
	Cost of sales	(312,756)	(208,922)	49.7	(534,710)	(395,226)	35.3
	Gross Profit	60,922	56,836	7.2	111,456	76,643	45.4
	Other gains/(losses)						
	-Miscellaneous	1,870	600	211.7	2,814	2,224	26.5
	Expenses						
	-Distribution and marketing	(761)	(1,892)	(59.8)	(2,119)	(3,335)	(36.5)
	-Administrative	(6,107)	(5,540)	10.2	(12,330)	(8,622)	43.0
	-Finance	(5,341)	(2,601)	105.3	(8,482)	(4,567)	85.7
	-Others	(327)	(1,335)	(75.5)	(347)	(1,318)	(73.7)
	Profit before tax	50,256	46,068	9.1	90,992	61,025	49.1
	Income tax (expense)/credit	(7,878)	31	n.m	(14,018)	31	n.m
	Profit after tax	42,378	46,099	(8.1)	76,974	61,056	26.1

n.m.: Not meaningful

Notes:-

1 Other miscellaneous gains:

		The Group			
		2 nd Quarter Ended		Half Year Ended	
		30/06/2007	30/06/2006	30/06/2007	30/06/2006
		S\$'000	S\$'000	S\$'000	S\$'000
	Sale of scrap materials	244	-	467	210
	Government grants	-	-	-	1,017
	Interest income	591	490	777	756
	Rental income from investment property	99	99	198	198
	Exchange gain	628	-	814	-
	Others	308	11	558	43
		1,870	600	2,814	2,224

2. Profit before taxation includes the following items:-

	The Group			
	2 nd Quarter Ended 30/06/2007 S\$'000	30/06/2006 S\$'000	Half Year Ended 30/06/2007 S\$'000	30/06/2006 S\$'000
Depreciation and amortization	12,423	6,284	24,135	11,665
Staff costs	4,737	4,929	11,038	8,391
Operating lease rental	81	187	162	285

3. Income Tax (Expense)/Credit

	The Group			
	2 nd Quarter Ended 30/06/2007 S\$'000	30/06/2006 S\$'000	Half Year Ended 30/06/2007 S\$'000	30/06/2006 S\$'000
Tax expense attributable to profit is made up of:				
Current income tax				
-Foreign *	(7,871)	(87)	(14,011)	(87)
(Underprovision)/ Overprovision in preceding financial years				
-deferred income tax		140	-	140
-Income tax	(7)	(22)	(7)	(22)
	<u>(7,878)</u>	<u>31</u>	<u>(14,018)</u>	<u>31</u>

Note:-

Delong Steel Limited (“Delong Steel”), a wholly foreign-owned enterprise (“WFOE”) established under the laws of the People’s Republic of China (“PRC”), was exempt from PRC enterprise income tax in FY2005 and FY2006.

*This is related to the PRC enterprise income tax at a rate of 15.0% for Delong Steel. Effective 1 January 2007, Delong Steel is entitled to a three-year 50% tax deduction from PRC enterprise income tax.

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		The Company	
	S\$'000		S\$'000	
	As at 30/06/2007	As at 31/12/2006	As at 30/06/2007	As at 31/12/2006
Current Assets				
Cash and cash equivalents	335,752	37,274	302,332	2,756
Bank balances pledged	24,093	23,799	-	-
Trade and other receivables	58,228	62,391	49,321	81,687
Inventories	113,873	101,557	-	-
	531,946	225,021	351,653	84,443
Non-current assets				
Other receivables	-	-	14,516	14,515
Investments in subsidiaries	-	-	380,754	372,271
Available-for-sale financial assets	2,020	1,975	-	-
Investment property	3,297	3,330	-	-
Property, plant and equipment	595,243	534,434	77	86
	600,560	539,739	395,347	386,872
Total assets	1,132,506	764,760	747,000	471,315
Current liabilities				
Trade and other payables	228,816	229,426	2,397	2,196
Notes payables	35,552	31,600	-	-
Borrowings	109,483	164,300	2	2
Provision for current tax	12,346	7,356	-	8
	386,197	432,682	2,399	2,206
Non-current liabilities				
Borrowings	77,996	15,231	10	10
Convertible Bonds*	247,901	-	247,901	-
	325,897	15,231	247,911	10
CAPITAL AND RESERVE:				
Share capital	69,416	67,404	406,060	404,048
Reserves	350,996	249,443	90,630	65,051
Total equity	420,412	316,847	496,690	469,099
Total liabilities and equity	1,132,506	764,760	747,000	471,315

**The Convertible Bonds represent the zero coupon convertible bonds of RMB1,532,000,000 due June 8, 2012 issued on June 8, 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\$1.5257 to US\$1). 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 June 8, 2012.*

The net proceeds from the Convertible Bonds is currently placed with a financial institution.

I(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 30/06/2007	As at 31/12/2006
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
72,921	36,562	105,385	58,915

Amount repayable after one year

As at 30/06/2007	As at 31/12/2006
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
55,118	22,878	4,663	10,568

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 and investment property of the Group.

* Borrowings amounting to S\$55,145,945 (31 December 2006:S\$64,839,846) 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			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2007 S\$'000	30/06/2006 S\$'000	30/06/2007 S\$'000	30/06/2006 S\$'000
Cash flows from operating activities:				
Profit after taxation	42,378	46,099	76,974	61,056
Adjustments for:				
Depreciation	12,423	6,284	24,135	11,665
Loss on disposal of property, plant and equipment	91	-	122	-
Gain on disposal of a subsidiary	-	-	(53)	-
Interest income	(591)	(490)	(777)	(756)
Interest expense	5,341	2,601	8,482	4,567
Income tax expense/(credit)	7,878	(31)	14,018	(31)
	<u>25,142</u>	<u>8,364</u>	<u>45,927</u>	<u>15,445</u>
Operating cash flow before working capital changes	67,520	54,463	122,901	76,501
Bank balances pledged	(7,200)	(31,401)	(294)	(41,973)
Receivables	34,814	54	4,708	12,911
Inventories	(5,683)	(15,976)	(12,081)	(10,409)
Payables	6,714	25,939	3,342	54,443
	<u>28,645</u>	<u>(21,384)</u>	<u>(4,325)</u>	<u>14,972</u>
Cash generated from operating activities	96,165	33,079	118,576	91,473
Income tax paid	(8,976)	(9,529)	(9,027)	(14,188)
Exchange differences	8,218	842	6,943	1,797
	<u>(758)</u>	<u>(8,687)</u>	<u>(2,084)</u>	<u>(12,391)</u>
Net cash generated from operating activities	95,407	24,392	116,492	79,082
Cash flows from investing activities:				
Payment for property, plant and equipment	(64,402)	(55,403)	(85,113)	(96,394)
Interest received	591	490	777	756
Net cash flow on disposal of a subsidiary	-	-	(646)	-
Net cash used in investing activities	(63,811)	(54,913)	(84,982)	(95,638)
Cash flows from financing activities:				
Proceeds from borrowings	82,509	67,052	152,128	85,401
Repayment of borrowings	(82,617)	(24,067)	(144,181)	(40,233)
Proceeds from convertible bonds	297,561	-	297,561	-
Proceeds from warrants conversion	1,106	148	2,012	331
Dividend paid	(32,070)	(7,957)	(32,070)	(7,957)
Interest paid	(5,341)	(2,601)	(8,482)	(4,567)
Net cash generated from financing activities	261,148	32,575	266,968	32,975
Net increase in cash and cash equivalents	292,744	2,054	298,478	16,419
Cash and cash equivalents at beginning of the period	43,008	29,644	37,274	15,279
Cash and cash equivalents at end of the period	335,752	31,698	335,752	31,698

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

	Share capital	Share premium	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2007	67,404	-	-	(7,565)	28,544	228,464	316,847
Issue of shares pursuant to exercise of warrants*	906	-	-	-	-	-	906
Currency translation differences	-	-	-	(1,147)	-	-	(1,147)
Net profit for the period	-	-	-	-	-	34,596	34,596
Balance as at 31 March 2007	68,310	-	-	(8,712)	28,544	263,060	351,202
Issue of shares pursuant to exercise of warrants*	1,106	-	-	-	-	-	1,106
Capital reserve arising from issuance of convertible bonds during the period	-	-	49,660	-	-	-	49,660
Dividend paid	-	-	-	-	-	(32,070)	(32,070)
Currency translation differences	-	-	-	8,136	-	-	8,136
Net profit for the period	-	-	-	-	-	42,378	42,378
Balance as at 30 June 2007	69,416	-	49,660	(576)	28,544	273,368	420,412
Balance as at 1 January 2006	58,377	8,648	-	2,378	15,374	134,287	219,064
Issue of shares pursuant to exercise of warrants*	183	-	-	-	-	-	183
Transfer from/ (to)^	8,648	(8,648)	-	-	-	-	-
Currency translation differences	-	-	-	(6,689)	-	-	(6,689)
Net profit for the period	-	-	-	-	-	14,957	14,957
Balance as at 31 March 2006	67,208	-	-	(4,311)	15,374	149,244	227,515
Issue of shares pursuant to exercise of warrants*	148	-	-	-	-	-	148
Currency translation differences	-	-	-	(982)	-	-	(982)
Dividend paid	-	-	-	-	-	(7,957)	(7,957)
Net profit for the period	-	-	-	-	-	46,099	46,099
Balance as at 30 June 2006	67,356	-	-	(5,293)	15,374	187,386	264,823

The Company

	Share capital	Share premium	Capital reserve	Retained earnings	Translation reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2007	404,048	-	-	65,051	-	469,099
Issue of shares pursuant to exercise of warrants*	906	-	-	-	-	906
Currency translation differences	-	-	-	-	(939)	(939)
Net loss for the period	-	-	-	(446)	-	(446)
Balance as at 31 March 2007	404,954	-	-	64,605	(939)	468,620
Issue of shares pursuant to exercise of warrants*	1,106	-	-	-	-	1,106
Capital reserve arising from issuance of convertible bonds during the period	-	-	49,660	-	-	49,660
Dividend paid	-	-	-	(32,070)	-	(32,070)
Currency translation differences	-	-	-	-	9,403	9,403
Net loss for the period	-	-	-	(29)	-	(29)
Balance as at 30 June 2007	406,060	-	49,660	32,506	8,464	496,690

Balance as at 1 January 2006	265,001	138,668	-	8,935	-	412,604
Issue of shares pursuant to exercise of warrants*	183	-	-	-	-	183
Transfer from/ (to)^	138,668	(138,668)	-	-	-	-
Net loss for the period	-	-	-	(529)	-	(529)
Balance as at 31 March 2006	403,852	-	-	8,406	-	412,258
Issue of shares pursuant to exercise of warrants*	148	-	-	-	-	148
Dividend paid	-	-	-	(7,957)	-	(7,957)
Net loss for the period	-	-	-	(401)	-	(401)
Balance as at 30 June 2006	404,000	-	-	48	-	404,048

Notes:-

- * The Company issued 2,212,866 ordinary shares pursuant to the exercise of warrants for the period ended 30 June 2007 (“2Q2007”).
- ^ Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 is required to become part of the company's share capital.

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	30/06/2007	30/06/2006
Number of ordinary shares at 1 April	532,570,591*	5,303,655,500
Shares arising from exercise of warrants	2,212,866	2,964,500
Number of ordinary shares at 30 June	534,783,457	5,306,620,000

Outstanding Warrants as at	30/06/2007	30/06/2006
Outstanding warrants that are convertible into ordinary shares	791,522	49,129,985

Notes:

*The Company has consolidated its 10 existing ordinary shares into 1 new share on 17 May 2007.

The Company issued 2,212,866 ordinary shares pursuant to the exercise of warrants in 2Q2007.

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 not been audited nor reviewed by our auditors.

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

The figures have not been audited nor reviewed by our auditors.

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 2006.

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**

Not Applicable.

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			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	SS'000	SS'000	SS'000	SS'000
Net profit for the period	42,378	46,099	76,974	61,056
Basic earnings per share (in cents)	7.93	0.87	14.4	1.15
Diluted earnings per share (in cents)	7.92	0.86	14.4	1.14
Weighted average no. of shares outstanding for basic earnings per share	534,438,925*	5,305,709,306	532,908,586*	5,303,152,608
Weighted average no. of shares outstanding for diluted earnings per share	535,217,932*	5,334,783,616	533,683,897*	5,332,370,951

*The Company has consolidated its 10 existing ordinary shares into 1 new share on 17 May 2007.

Explanatory Notes:

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

Diluted earnings per share is calculated based on the same basis as earnings per share by applying 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 30 June.

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	
	30/06/2007	30/12/2006	30/06/2007	31/12/2006
Net Asset Value per share (cents)	78.6	5.97	92.9	8.84

Net asset value per share for the Group and Company is calculated based on 534,783,457 ordinary shares in issue at the end of the financial period under review and 5,307,591,250 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2006.

The Company has consolidated its 10 existing ordinary shares into 1 new share on 17 May 2007.

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**

2Q2007 vs 2Q2006

Revenue

The following tables sets out a breakdown, by business activities, of the Group's revenue and cost of sales for the financial periods under review.

Revenue	2Q2007	2Q2006
	S\$'000	S\$'000
Manufacture and Sale	373,678	228,294
Trading	-	37,464
Total	373,678	265,758

Cost of Sales	2Q2007	2Q2006
	S\$'000	S\$'000
Manufacture and Sale	312,756	172,031
Trading	-	36,891
Total	312,756	208,922

Gross Profit	2Q2007	2Q2006
	S\$'000	S\$'000
Manufacture and Sale	60,922	56,263
Trading	-	573
Total	60,922	56,836

Gross Profit margin	2Q2007	2Q2006
	%	%
Manufacture and Sale	16.3	24.6
Trading	-	1.5

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment increased by S\$145.4 million or 63.7% from S\$228.3 million in 2Q2006 to S\$373.7 million in 2Q2007. The increase in revenue was principally attributed to the increase in the sales volume, average selling price and change in product mix. The increase in average selling price was partly due to the higher prices of hot-rolled steel coils ("HRC") products produced from the second rolling mill commissioned in December 2006, which were of a higher grade than the products produced from the first rolling mill.

In 2Q2007 the Group sold 602,680 tonnes of HRC and 3,250 tonnes of steel billets as compared to 367,300 tonnes of hot-rolled steel coils and 22,600 tonnes of steel billets in 2Q2006. Overall sales quantity increased by 216,030 tonnes or 55.4%.

Trading

The Group ceased its trading business with effect from 1 January 2007.

Cost of sales

Manufacture and Sale

Cost of sales increased by S\$140.8 million or 81.8% from S\$172.0 million in 2Q2006 to S\$312.8 million in 2Q2007 in line with the increase in revenue. The increase was also due to the significant increase in prices of raw materials in 2Q2007 compared to the previous corresponding period.

Gross profit

Manufacture and Sale

Gross profit increased by S\$4.6 million or 8.3% from S\$56.3 million in 2Q2006 to S\$60.9 million in 2Q2007.

Gross profit margin decreased by 8.3 percentage points from 24.6% in 2Q2006 to 16.3% in 2Q2007 primarily due to the increase in the average cost of sales per tonne attributed to the significant increase in prices of raw materials.

Distribution and marketing expenses

Distribution and marketing expenses decreased by S\$1.1 million or 59.8% from S\$1.9 million in 2Q2006 to S\$0.8 million in 2Q2007 due to the Group's exit from its trading activities in January 2007.

Administrative expenses

Administrative expenses increased by S\$0.6 million or 10.2% from S\$5.5 million in 2Q2006 to S\$6.1 million in 2Q2007 due to increase in general administrative and other office-related expenses in line with the Group's capacity expansion.

Finance costs

Finance costs increased by S\$2.7 million or 105.3% from S\$2.6 million in 2Q2006 to S\$5.3 million in 2Q2007. The increase was due to increase in bank borrowings and interest rates. The increase was also due to the monthly interest expense accrued on the Convertible Bonds due on 8 June, 2012 issued on June 8, 2007.

Other operating expenses

Other operating expenses were S\$0.3 million in 2Q2007, relating to donations made to charitable organizations.

Income tax

Income tax expenses were S\$7.9 million in 2Q2007, compared to a tax credit of S\$0.03 million in 2Q2006. Delong Steel, being a wholly foreign owned enterprise, was exempt from the enterprise income tax in FY2006. Effective 1 January 2007 to 31 December 2009, Delong Steel is required to pay enterprise income tax at a rate of 15.0%.

Net profit

Net profit after tax decreased by S\$3.7 million or 8.1 % from S\$46.1 million in 2Q2006 to S\$42.4 million in 2Q2007, representing a net profit margin of 17.3% in 2Q2006 and 11.3% in 2Q2007, respectively. For FY2006, Delong Steel enjoyed full enterprise income tax exemption. Excluding the tax expenses of S\$7.9 million, the net profit margin would have been 13.4% in 2Q2007.

The lower net profit margin in 2Q2007 was primarily attributable to the lower operating profit margin.

1H2007 vs 1H2006

Revenue

The following tables set out the breakdown, by business activities, of the Group's revenue and cost of sales for the financial periods under review.

Revenue	1H2007	1H2006
	SS'000	SS'000
Manufacture and Sale	646,166	414,980
Trading	-	56,889
Total	646,166	471,869

Cost of Sales	1H2007	1H2006
	SS'000	SS'000
Manufacture and Sale	534,710	340,025
Trading	-	55,201
Total	534,710	395,226

Gross profit	1H2007	1H2006
	SS'000	SS'000
Manufacture and Sale	111,456	74,955
Trading	-	1,688
Total	111,456	76,643

Gross profit margin	1H2007	1H2006
	%	%
Manufacture and Sale	17.2	18.1
Trading	-	3.0

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment increased by S\$231.2 million or 55.7% from S\$415.0 million in 1H2006 to S\$646.2 million in 1H2007. The increase in revenue was principally attributed to the increase in the sales volume, average selling price and change in product mix. The increase in average selling price was partly due to the higher prices of HRC produced from the second rolling mill commissioned in December 2006, which were of a higher grade than the products from the first rolling mill.

In 1H2007 the Group sold 1,053,500 tonnes of HRC and 10,300 tonnes of steel billets as compared to 729,300 tonnes of HRC and 51,600 tonnes of steel billets in 1H2006. Overall sales volume increased by 282,900 tonnes or 36.2%.

Trading

The Group ceased its trading business with effect from 1 January 2007.

Cost of sales

Manufacture and Sale

Cost of sales increased by S\$194.7 million or 57.3% from S\$340.0 million in 1H2006 to S\$534.7 million in 1H2007 in line with the increase in revenue. The increase was also due to the significant increase in the prices of raw materials in 2Q2007.

Gross profit

Manufacture and Sale

Gross profit increased by S\$36.5 million or 48.7% from S\$75.0 million in 1H2006 to S\$111.5 million in 1H2007.

Gross profit margin decreased by 0.9 percentage point from 18.1% in 1H2006 to 17.2% in 1H2007. The decrease was primarily due to the increase in average cost of sales per tonne in 2Q2007 compared with the previous corresponding period.

Distribution and marketing expenses

Distribution and marketing expenses decreased by S\$0.9 million or 37.7% from S\$3.3 million in 1H2006 to S\$2.1 million in 1H2007 due to the Group's exit from its trading activities in January 2007.

Administrative expenses

Administrative expenses increased by S\$3.7 million or 43.0% from S\$8.6 million in 1H2006 to S\$12.3 million in 1H2007 due to increase in general administrative expenses and higher personnel expenses incurred as a result of capacity expansion as well as higher company-wide salary levels in 1H2007.

Finance costs

Finance costs increased by S\$3.9 million or 85.7% from S\$4.6 million in 1H2006 to S\$8.5 million in 1H2007. The increase was due to increase in bank borrowings and interest rates. The increase was also due to the monthly interest expense accrued on the Convertible Bonds due on 8 June, 2012 issued on June 8, 2007.

Other operating expenses

Other operating expenses decreased by S\$1.0 million or 73.7% from S\$1.3 million in 1H2006 to S\$0.3 million in 1H2007. This was mainly due to the disposal of waste and scrap of S\$0.5 million and foreign exchange loss of S\$0.5 million arising from inter-company transactions by the subsidiaries within the Group in 1H2006. The losses arose as a result of the weakening of the RMB relative to Singapore Dollar.

Income tax

Income tax expenses were S\$14.0 million in 1H2007, compared to a tax credit of S\$0.03 million in 1H2006. Delong Steel, being a wholly foreign owned enterprise, was exempt from the enterprise income tax in FY2006. Effective 1 January 2007 to 31 December 2009, Delong Steel is required to pay enterprise income tax at a rate of 15.0%.

Net profit

Net profit after tax increased by S\$15.9 million or 26.1% from S\$61.1 million in 1H2006 to S\$77.0 million in 1H2007, representing a net profit margin of 12.9% in 1H2006 and 11.9% in 1H2007, respectively. Excluding the income tax expenses of S\$14.0 million as mentioned above, the net profit margin for 1H2007 would have been 14.0%.

(b) Review of balance sheet of the Group as at 30 June 2007

Current assets

Current assets increased by S\$306.9 million or 136.4% from S\$225.0 million as at 31 December 2006 to S\$531.9 million as at 30 June 2007. The increase was primarily attributable to the increase in cash and cash equivalents from operating activities and the net proceeds from the Convertible Bonds issued during the period under review.

As at 30 June 2007, of the S\$58.2 million of the Group's "trade and other receivables", approximately S\$30.0 million or 51.5% comprised notes receivables from customers and pre-payments to vendors and approximately S\$4.8 million comprised trade receivables.

Current liabilities

Current liabilities decreased by S\$46.5 million or 10.7% from S\$432.7 million as at 31 December 2006 to S\$386.2 million as at 30 June 2007. The Group had converted a portion of its short-term borrowings to long-term borrowings during the period under review.

Working capital

Excluding the net proceeds of S\$297.6 million from the Convertible Bonds issued in June 2007, the Group's negative working capital position improved by S\$55.8 million from S\$207.7 million as at 31 December 2006 to S\$151.9 million as at 30 June 2007. The Group's negative working capital position was mainly due to the use of short-term bank loans and cash generated from operating activities to finance the technological enhancements at Delong Steel.

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. During the period under review, the Group had also converted a portion of its short-term borrowings to long-term borrowings.

Non-current assets

Property, plant and equipment increased by S\$60.8 million from S\$534.4 million as at 31 December 2006 to S\$595.2 million as at 30 June 2007. The increase was primarily due to the construction in progress in relation to the technological enhancement programmes at Delong Steel. Phase 3 of the technological enhancement programme to bring the annual production capacity to 3 million tonnes commenced in February 2007.

(c) Review of cash flow statement of the Group

2Q2007 vs 2Q2006

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S\$13.0 million or 23.9% from S\$54.5 million in 2Q2006 to S\$67.5 million in 2Q2007. The increase was primarily due to the increase in operating profit. Net cash generated from operating activities was S\$95.4 million in 2Q2007, attributable mainly to the decrease in bank balances pledged and receivables.

The decrease in bank balances pledged was attributable to the decrease in notes payable in 2Q2007. The decrease in receivables was mainly due to the early redemption of the notes receivable to the banks during the period under review.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$63.8 million in 2Q2007. This was principally payment for construction in progress in relation to the technical enhancement programmes.

Net Cash Generated From Financing Activities

Net cash inflow from financing activities was S\$261.1 million in 2Q2007. This was mainly attributable to the net proceeds of S\$297.6 million from the issue of Convertible Issues which was completed in June 2007. This was partially offset by the dividend payment of S\$32.1 million in May 2007.

1H2007 vs 1H2006

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S\$46.4 million or 60.6% from S\$76.5 million in 1H2006 to S\$122.9 million in 1H2007. The increase was primarily due to increase in operating profit. Cash generated from operating activities increased by S\$27.1 million or 29.6% from S\$91.5 million in 1H2006 to S\$118.6 million 1H2007, attributable mainly to the decrease in bank balances pledged for the issuance of notes payable.

After taking into consideration cash used for working capital and income tax paid of S\$9.0 million, the net cash inflow from operating activities was S\$116.5 million in 1H2007.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$85.0 million in 1H2007. The increase was in line with the increase in non-current assets as a result of technical enhancement programmes.

Net Cash Generated From Financing Activities

Net cash inflow from financing activities was S\$267.0 million in 1H2007. This was mainly attributable to the drawdown short-term loans of S\$152.1 million and the net proceeds from the issue of Convertible Bonds of S\$297.6 million. This was partially offset by the repayments of principal and interest for bank borrowings of S\$144.2 million and dividend payment of S\$32.1 million in May 2007.

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

Further to the commentary under paragraph 10 of the Company's 1Q2007 Results Announcement released on 10 May 2007 which stated that "its revenue and operating profit in 2Q2007 to be significantly higher compared to 2Q2006 and 1Q2007. Operating margin in 2Q2007 is also expected to remain stable compared to 1Q2007", the Company issued a Business and Financial update on 19 July 2007. In this update, directors said that "Whilst the Group's financial performance for 2Q2007 is expected to be better than that of 1Q2007, the net profit after tax for 2Q2007 will be lower in comparison to the Group's net profit after tax for the corresponding second quarter of FY2006. However, the net profit before tax for 2Q2007 is expected to be better than that of 2Q2006."

As explained in the Note 10, due to the increase in the prices of raw materials and the PRC National Development and Reform Commission ("NDRC") implementing a series of measures (e.g., export tax rebates and excise duties on steel products) in 2Q2007 which have had an adverse impact on domestic steel prices, the Group's net profit after tax for 2Q2007 was lower in comparison to the Group's net profit after tax for 2Q2006.

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 prices of HRC rose marginally in 2Q2007 compared to 1Q2007 in line with continuing demand for steel and steel related products in the PRC. According to the latest figures from the PRC National Bureau of Statistics, the country's real GDP grew 11.9% in the second quarter of 2007 ("2Q2007") while the rolled steel industry grew 26.2% in 1H2007. Accordingly, the Group expects that demand for HRC products will continue to grow in 2H2007.

Following the completion of Phase 2 of the Group's technical enhancements in December 2006 in which a second rolling line was added, Delong's integrated HRC production capacity has risen to 2.4 million tonnes a year (comprising sintering and pellet plants, blast furnaces, converter furnaces, billet casting plants and HRC rolling lines) compared to 1.6 million tonnes previously. The two rolling lines have a combined annual HRC rolling capacity of 3.0 million tonnes currently. Owing to the limitations of the blast furnaces, the Group is currently operating at 80% utilization of its total 3.0 million tonne HRC rolling line capacity, and expects its fully integrated HRC production facility to be operational from 4Q2007

Revenue for 2Q2007 grew 40.6% to S\$373.7 million from S\$265.8 million in 2Q2006 underlined by a significant increase in sales due to the increased production capacity. This increase was offset by rising raw material costs in 2Q2007 – iron ore and coke prices increasing by approximately 24.4% and 26.5%, respectively – and the need to secure external supplies of pig iron and molten iron due to limitations of the existing furnaces resulting from their on-going upgrading works which impacted operating margins. The Group expects this scenario to be mitigated by the cost savings arising from the completion of its Number 6 blast furnace in July 2007 and the Number 7 blast furnace in 4Q2007 as part of Phase 3 of its technical enhancements. Upon completion of the technical enhancements in 4Q2007, the Group will be self-sufficient in the production of pig iron and molten iron, thereby reducing dependency on external sources and allowing the HRC rolling lines to reach their full capacity of 3.0 million tonnes. The Group is continually seeking ways to improve its operating efficiency through technical enhancements and better economies of scale.

In 2Q2007, the PRC NDRC implemented the withdrawal of export tax rebates on steel products as well as the imposition of excise duties on a variety of goods including steel. While these measures may have had a short-term dampening effect on domestic steel prices, the Group expects steel prices to remain fairly stable in 2H2007.

In view of the initiatives being undertaken by the Group, the directors are confident that the Group will maintain double-digit gross profit margin for FY2007 and that its net profit for FY2007 will exceed that of FY2006.

The Group will continue discussions with prospective acquisition targets with a view to increasing its production capacity in the next few years.

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? No

However, the first and final 1-tier tax-exempt dividend of 1.5 cents per ordinary share (before share consolidation of 10 existing ordinary shares into 1 new share) for the financial year ended 31 December 2006, totaling S\$79.6 million, was approved at the Annual General Meeting on 19 April 2006. The approved dividend is to be paid in two tranches. The book closure dates and dividend payable dates are as follows:-

	Dividend per share	Book Closure Date	Date payable
First payment	0.60 cent	26 April 2007	15 May 2007
Second payment**	0.90 cent*	30 October 2007	15 November 2007

*The dividend per share payable on 15 November 2007 shall be 9 cents per new consolidated share effective 17 May 2007.

**Duly completed transfers in respect of shares in the capital of the Company together with all relevant documents of title received by the Company's share registrar, B.A.C.S Pte Ltd, 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 29 October 2007 will be registered to determine members' entitlements to the proposed Dividends. Members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. 29 October 2007 will be entitled to the proposed Dividends.

Holders of the warrants are reminded that only warrants exercised (in accordance with the terms and conditions of the warrants) by 5.00 p.m. on 29 October 2007 will be considered for the purpose of determining members' entitlements to the proposed Dividends.

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 second quarter ended 30 June 2007.

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 Ligu
Executive Chairman