

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 2008 to be false or misleading in any material respect.

On behalf of the Board of Directors

**Mr. Ding Ligu
Chairman**

**Mr. Guo Sanxiang
Executive Director**

**Singapore
14 August 2008**



德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 2008

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
		30/06/2008	30/06/2007	(Decrease)	30/06/2008	30/06/2007	(Decrease)
Note		S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Sales	737,638	373,678	97.4	1,296,761	646,166	100.7
	Cost of sales	(652,384)	(312,756)	108.6	(1,174,645)	(534,710)	119.7
	Gross Profit	85,254	60,922	39.9	122,116	111,456	9.6
	Other gains/(losses)						
	-Miscellaneous	6,686	1,870	257.5	8,251	2,814	193.2
	Expenses						
	-Distribution and marketing	(1,699)	(761)	123.3	(3,409)	(2,119)	60.9
	-Administrative	(10,140)	(6,107)	66.0	(19,512)	(12,330)	58.2
	-Finance	(12,920)	(5,341)	141.9	(27,939)	(8,482)	229.4
	-Others	(3,273)	(327)	900.9	(3,273)	(347)	843.2
	Profit before tax	63,908	50,256	27.2	76,234	90,992	(16.2)
	Income tax expense	(7,784)	(7,878)	(1.2)	(10,922)	(14,018)	(22.1)
	Profit after tax	56,124	42,378	32.4	65,312	76,974	(15.2)

n.m.: Not meaningful

Notes:-

1 Other miscellaneous gains:

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	S\$'000	S\$'000	S\$'000	S\$'000
Sale of scrap materials	225	244	433	467
Interest income	1,484	591	6,105	777
Rental income from investment property	99	99	198	198
Currency translation gain	4,069	628	680	814
Others	809	308	835	558
	<u>6,686</u>	<u>1,870</u>	<u>8,251</u>	<u>2,814</u>

The currency translation gain was mainly due to the revaluation of bank borrowings denominated in USD which weakened against RMB in 2Q2008.

2. Profit before taxation includes the following items:-

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation and amortization	14,144	12,423	27,391	24,135
Staff costs	7,333	4,737	15,321	11,038
Operating lease rental	99	81	178	179

3. Income Tax Expense

This is related to PRC enterprise income tax at a concessionary rate of 15% for Delong Steel Limited (“Delong Steel”).

Delong Steel is a wholly foreign-owned enterprise (“WFOE”) established under the laws of the People’s Republic of China (“PRC”), is entitled to 50% tax reduction from PRC enterprise income tax of 30% for three years effective 1 January 2007

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		The Company	
		S\$'000		S\$'000	
		As at 30/06/2008	As at 31/12/2007	As at 30/06/2008	As at 31/12/2007
Current Assets					
Cash and cash equivalents		152,627	196,594	81,093	162,544
Bank balances pledged		112,658	33,922	-	-
Financial assets, held for trading	1	2,141	4,750	2,141	4,750
Trade and other receivables		157,177	83,574	119	42,574
Inventories		327,270	241,214	-	-
		751,873	560,054	83,353	209,868
Non-current assets					
Other receivables		-	-	228,859	130,217
Investments in subsidiaries		-	-	372,271	376,044
Financial assets, available-for-sale	2	13,923	13,917	11,923	11,923
Investment property		3,228	3,262	-	-
Property, plant and equipment		718,279	686,747	55	66
		735,430	703,926	613,108	518,250
Total assets		1,487,303	1,263,980	696,461	728,118
Current liabilities					
Trade and other payables		450,846	324,571	1,008	3,357
Notes payables		69,580	42,494	-	-
Borrowings		170,956	161,008	2	2
Provision for current tax		19,423	11,127	82	94
		710,805	539,200	1,092	3,453
Non-current liabilities					
Borrowings		81,435	82,143	7	8
Convertible bonds	3	267,924	258,454	267,924	258,454
		349,359	340,597	267,931	258,462
CAPITAL AND RESERVE					
Share capital		69,564	69,520	406,208	406,164
Reserves		357,575	314,663	21,230	60,039
Total equity		427,139	384,183	427,438	466,203
Total liabilities and equity		1,487,303	1,263,980	696,461	728,118

Notes:-

1. *This represents investment in equity securities listed in Hong Kong.*
2. *The investment represents 12,000,000 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.*
3. *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 allotted and issued upon conversion of the Convertible Bonds 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.*

As at 30 June 2008, the Company had utilised the proceeds from the Convertible Bonds in the following manner:-

- | | | |
|--------------|--|------------------------------|
| <i>(i)</i> | <i>Investment in CFE</i> | <i>S\$11.9 million;</i> |
| <i>(ii)</i> | <i>Investment in subsidiaries</i> | <i>S\$227.2 million; and</i> |
| <i>(iii)</i> | <i>The balance of the proceeds has been placed with financial institutions or invested in marketable equities.</i> | |

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 30/06/2008	As at 31/12/2007
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
115,528	55,428	95,274	65,734

Amount repayable after one year

As at 30/06/2008	As at 31/12/2007
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
49,584	31,851	77,902	4,241

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 S\$70,553,000 (31 December 2007: 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	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit after taxation	56,124	42,378	65,312	76,974
Adjustments for:				
Depreciation	14,144	12,423	27,391	24,135
Loss on disposal of property, plant and equipment	2,283	91	2,397	122
Gain on disposal of a subsidiary	-	-	-	(53)
Interest income	(1,484)	(591)	(6,105)	(777)
Interest expense	12,920	5,341	27,939	8,482
Income tax expense	7,784	7,878	10,922	14,018
Unrealised translation loss	35	-	2,604	-
	35,682	25,142	65,148	45,927
Operating cash flow before working capital changes	91,806	67,520	130,460	122,901
Bank balances pledged	(29,684)	(7,200)	(78,736)	(294)
Receivables	(14,778)	34,814	(73,602)	4,708
Inventories	(84,479)	(5,683)	(86,056)	(12,081)
Payables	80,568	6,714	153,362	3,342
	(48,373)	28,645	(85,032)	(4,325)
Cash generated from operating activities	43,433	96,165	45,428	118,576
Income tax credit/ (paid)	868	(8,976)	(2,625)	(9,027)
Currency translation differences	-	8,218	-	6,943
	868	(758)	(2,625)	(2,084)
Net cash generated from operating activities	44,301	95,407	42,803	116,492
Cash flows from investing activities:				
Payments for property, plant and equipment	(30,818)	(64,402)	(61,503)	(85,113)
Proceeds from disposal of property, plant and equipment	19	-	19	-
Interest received	1,484	591	6,105	777
Net cash flow on disposal of a subsidiary	-	-	-	(646)
Net cash used in investing activities	(29,315)	(63,811)	(55,379)	(84,982)
Cash flows from financing activities:				
Proceeds from borrowings	107,373	82,509	212,780	152,128
Repayment of borrowings	(85,439)	(82,617)	(203,541)	(144,181)
Proceeds from convertible bonds	-	297,561	-	297,561
Proceeds from warrants conversion	35	1,106	44	2,012
Dividend paid	(22,205)	(32,070)	(22,205)	(32,070)
Interest paid	(8,185)	(5,341)	(18,469)	(8,482)
Net cash (used in)/ generated from financing activities	(8,421)	261,148	(31,391)	266,968
Net (decrease)/ increase in cash and cash equivalents	6,565	292,744	(43,967)	298,478
Cash and cash equivalents at beginning of the period	146,062	43,008	196,594	37,274
Cash and cash equivalents at end of the period	152,627	335,752	152,627	335,752

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	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2008	69,520	49,660	(5,545)	28,544	242,004	384,183
Issue of shares pursuant to exercise of warrants	9	-	-	-	-	9
Currency translation differences	-	-	(1,608)	-	-	(1,608)
Net profit for the period	-	-	-	-	9,188	9,188
Balance as at 31 March 2008	69,529	49,660	(7,153)	28,544	251,192	391,772
Issue of shares pursuant to exercise of warrants*	35	-	-	-	-	35
Dividend paid	-	-	-	-	(22,205)	(22,205)
Currency translation differences	-	-	1,413	-	-	1,413
Net profit for the period	-	-	-	-	56,124	56,124
Balance as at 30 June 2008	69,564	49,660	(5,740)	28,544	285,111	427,139

	Share capital	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	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

The Company

	Share capital	Capital reserve	Retained earnings	Translation reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2008	406,164	49,660	7,193	3,186	466,203
Issue of shares pursuant to exercise of warrants	9	-	-	-	9
Currency translation differences	-	-	-	(3,810)	(3,810)
Net loss for the period	-	-	(8,116)	-	(8,116)
Balance as at 31 March 2008	406,173	49,660	(923)	(624)	454,286
Issue of shares pursuant to exercise of warrants*	35	-	-	-	35
Dividend paid	-	-	(22,205)	-	(22,205)
Currency translation differences	-	-	-	36	36
Net loss for the period	-	-	(4,714)	-	(4,714)
Balance as at 30 June 2008	406,208	49,660	(27,842)	(588)	427,438

<u>The Company</u>	<u>Share capital</u> S\$'000	<u>Capital</u> <u>reserve</u> S\$'000	<u>Retained</u> <u>earnings</u> S\$'000	<u>Translation</u> <u>reserve</u> S\$'000	<u>Total</u> 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

Notes

* The Company issued 70,556 ordinary shares pursuant to the exercise of warrants for the period ended 30 June 2008 ("2Q2008").

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

Changes in the Share Capital of the Company for 2nd Quarter Ended	30/06/2008	30/06/2007
Number of ordinary shares at 1 April	535,010,051	532,570,591
Shares arising from exercise of warrants	70,556	2,212,866
Number of ordinary shares at 30 June	535,080,607	534,783,457

Outstanding Warrants as at	30/06/2008	30/06/2007
Outstanding warrants that are convertible into ordinary shares	494,372	791,522

Note:

The Company issued 70,556 ordinary shares pursuant to the exercise of warrants in 2Q2008.

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.

Not Applicable

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 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 2007.

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	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	S\$'000	S\$'000	S\$'000	S\$'000
Net profit for the period	56,124	42,378	65,312	76,974
Basic earnings per share (in cents)	10.5	7.93	12.2	14.4
Diluted earnings per share (in cents)	10.5	7.92	12.2	14.4
Weighted average no. of shares outstanding for basic earnings per share	535,070,164	534,438,925	535,038,755	532,908,586
Weighted average no. of shares outstanding for diluted earnings per share	535,557,449	535,217,932	535,524,897	533,683,897

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 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	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Net Asset Value per share (in cents)	79.8	71.8	79.9	87.1

Net asset value per share for the Group and Company is calculated based on 535,080,607 ordinary shares in issue at the end of the financial period under review and 534,992,301 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 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

2Q2008 vs 2Q2007

Revenue

Revenue increased by S\$363.9 million or 97.4% from S\$373.7 million in 2Q2007 to S\$737.6 million in 2Q2008. The increase in revenue was principally attributed to the increase in the sales volume arising from the expanded production capacities, a substantial increase in the average selling prices and change in product mix during the period under review as compared with the previous corresponding period.

In 2Q2008 the Group sold 754,453 tonnes of Hot Rolled Coils ("HRC") and 18,736 tonnes of steel billets as compared to 602,680 tonnes of HRC and 3,250 tonnes of steel billets in 2Q2007. Overall sales quantity increased by 167,259 tonnes or 27.6%.

The Group commenced its first batch of roller-mill products in 2Q2008. During the period under review, the Group produced 75 tonnes of roller mill which was fully consumed by the Group's HRC production. The Group also started its leasing activities in 2Q2008. Revenue from the leasing activities accounted for only 0.04% of the Group's revenue in 2Q2008.

Cost of sales

Cost of sales increased by S\$339.6 million or 108.6% from S\$312.8 million in 2Q2007 to S\$652.4 million in 2Q2008 principally attributable to the increase in volume of HRC sold and the significant increase in prices of raw materials in 2Q2008 compared to the previous corresponding period.

Gross profit

Gross profit increased by S\$24.4 million or 39.9% from S\$60.9 million in 2Q2007 to S\$85.3 million in 2Q2008 principally attributed to the increase in revenue, albeit a lower gross profit margin.

Gross profit margin decreased from 16.3% in 2Q2007 to 11.6% in 2Q2008 primarily due to the significant increase in prices of raw materials which outpaced the rise in product selling prices.

Distribution and marketing expenses

Distribution and marketing expenses increased by S\$0.9 million from S\$0.8 million in 2Q2007 to S\$1.7 million in 2Q2008. This was due to the increase in distribution expenses in line with the higher sales quantity.

Administrative expenses

Administrative expenses increased by S\$4.0 million from S\$6.1 million in 2Q2007 to S\$10.1 million in 2Q2008. The increase was due to the increase in staff costs as a result of the increase in headcount and salary increments as well as increase in the general administrative expenses.

The increase was in line with the Group's expanded capacity and the commencement of the Group's new activities in leasing and roller mill.

Finance expenses

Finance expenses increased by S\$7.6 million from S\$5.3 million in 2Q2007 to S\$12.9 million in 2Q2008. This was due to additional bank loans drawn down in 2Q2008 and higher interest rates on bank borrowings. The increase was also due to the monthly interest expense accrued on the Convertible Bonds issued on 8 June 2007 which are due on 8 June, 2012.

Other operating expenses

Other operating expenses of S\$3.3 million incurred in 2Q2008 were mainly due to losses on disposal of fixed assets of S\$2.3 million and donations of S\$0.8 million.

Net profit

Net profit after tax increased by S\$13.7 million or 32.4% from S\$42.4 million in 2Q2007 to S\$56.1 million in 2Q2008. The net profit margins in 2Q2007 and 2Q2008 were 11.3 % and 7.6%, respectively.

The lower net profit margin in 2Q2008 was primarily attributable to the lower operating profit margin.

1H2008 vs 1H2007

Revenue

Revenue increased substantially from S\$646.2 million in 1H2007 to S\$1.297 billion in 1H2008, representing an increase of S\$650.8 million or 100.7%. The increase in revenue was principally attributed to the increase in the sales volume after the production capacity expansion, higher average selling price and change in product mix.

In 1H2008 the Group sold 1,435,453 tonnes of HRC and 25,576 tonnes of steel billets as compared to 1,053,500 tonnes of HRC and 10,300 tonnes of steel billets in 1H2007. Overall sales volume increased by 397,229 tonnes or 37.3%.

Cost of sales

Cost of sales increased by S\$640.3 million or 119.7% from S\$534.7 million in 1H2007 to S\$1.175 billion in 1H2008 principally attributable to the increase in volume of HRC sold. The increase was also due to the significant increase in the prices of raw materials in 1H2008 compared with corresponding period.

Gross profit

Gross profit increased by S\$10.6 million or 9.6% from S\$111.5 million in 1H2007 to S\$122.1 million in 1H2008.

Gross profit margin decreased by 7.8 percentage point from 17.2% in 1H2007 to 9.4% in 1H2008. The decrease was primarily due to the substantial increase in the prices of raw materials in 1H2008 which significantly outpaced the rise in product selling prices.

Distribution and marketing expenses

Distribution and marketing expenses increased by S\$1.3 million from S\$2.1 million in 1H2007 to S\$3.4 million in 1H2008. This was due to increase in distribution related expenses as a result of higher sales quantity.

Administrative expenses

Administrative expenses increased by S\$7.2 million from S\$12.3 million in 1H2007 to S\$19.5 million in 1H2008 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 1H2008.

Finance expenses

Finance expenses increased by S\$19.4 million from S\$8.5 million in 1H2007 to S\$27.9 million in 1H2008. The increase was due to the increase in bank borrowings and higher interest rates on bank borrowings. The increase was also due to the monthly interest expense accrued on the Convertible Bonds which amounted to a total of S\$8.6 million in 1H2008.

Other operating expenses

Other operating expenses of S\$3.3 million incurred in 1H2008 were mainly due to losses on disposal of fixed assets of S\$2.4 million and donations of S\$0.8 million.

Net profit

Net profit after tax decreased by S\$11.7 million or 15.2% from S\$77.0 million in 1H2007 to S\$65.3 million in 1H2008. The net profit margins in 1H2007 and 1H2008 were 11.9% and 5.0% respectively.

The lower net profit margin in 1H2008 as compared with 1H2007 was primarily attributable to the lower operating profit margin.

(b) Review of balance sheet of the Group as at 30 June 2008**Current assets**

Current assets increased by S\$191.8 million or 34.2% from S\$560.1 million as at 31 December 2007 to S\$751.9 million as at 30 June 2008. The increase was primarily attributable to the increase in bank balances pledged with banks as securities for bank borrowings and notes payable, as well as increase in trade and other receivable and inventories.

The increase in inventories was in line with the increase in production. The increase in payable was primarily due to the increase in advance payment received from customers in 2Q2008 which was in line with the higher revenue in 2Q2008.

As at 30 June 2008, of the S\$157.2 million of the Group's "trade and other receivables", approximately S\$116.7 million or 74.2% comprised of notes receivables from customers and pre-payments to vendors. Trade receivables were approximately S\$0.3 million.

Current liabilities

Current liabilities increased by S\$171.6 million or 31.8% from S\$539.2 million as at 31 December 2007 to S\$710.8 million as at 30 June 2008. The increase was primarily attributable to the increase in bank borrowings and trade and other payable which were in line with the increase in trade activities during the period under review.

Non-current assets

Property, plant and equipment increased by S\$31.6 million from S\$686.7 million as at 31 December 2007 to S\$718.3 million as at 30 June 2008. The increase was primarily due to the construction in progress in relation to a new mill roll plant at Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll"). Xingtai Delong Mill Roll is engaged in the design, development, manufacturing and sale of large-diameter steel mill rollers and large-cast steel articles, which are specifically designed, prepared and applied to be an integrated component used in the Company's HRC production line as well as for sale to third parties.

(c) Review of cash flow statement of the Group

2Q2008 vs 2Q2007

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S\$24.3 million or 36.0% from S\$67.5 million in 2Q2007 to S\$91.8 million in 2Q2008. The increase was primarily due to the increase in operating profit. Cash used for working capital was S\$48.4 million in 2Q2008, attributable mainly to the increase in bank balances pledged with banks as securities for bank borrowings and note payable, inventories and trade and other receivables, which was in line with the increase in trade activities during the period under review. The cash used for working capital was partially offset by the increase in payables.

After taking into consideration cash used for working capital and income tax credit of S\$0.8 million, the net cash inflow from operating activities was S\$44.3 million in 1H2008.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$29.3 million in 2Q2008. This comprised principally payment for construction in progress in relation to the new roll plant at Xingtai Delong Mill Roll.

Net Cash Used in Financing Activities

Net cash outflow from financing activities was S\$8.4 million in 2Q2008 mainly due to the repayments of principal and interest for bank borrowings and dividend payment. The net cash used in financing activities was partially offset by the drawdown of short-term loans.

1H2008 vs 1H2007

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S\$7.6 million or 6.2% from S\$122.9 million in 1H2007 to S\$130.5 million in 1H2008. Cash generated from operating activities decreased by S\$73.2 million or 61.7% from S\$118.6 million in 1H2007 to S\$45.4 million 1H2008, attributable mainly to the increase in bank balances pledged, receivables and inventories in 1H2008. The decrease was partially offset by the increase in payables.

After taking into consideration cash used for working capital and income tax paid of S\$2.6 million, the net cash inflow from operating activities was S\$42.8 million in 1H2008.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$55.4 million in 1H2008. The increase was in line with the increase in non-current assets as a result of new mill roll plant at Xingtai Delong.

Net Cash Generated From Financing Activities

Net cash outflow from financing activities was S\$31.4 million in 1H2008. This was mainly attributable to the repayments of principal and interest for bank borrowings and dividend payment. The net cash used in financing activities was partially offset by the drawdown of short-term loans.

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

The Company had not previously made any prospect statements to its shareholders.

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](#)

Due to the tightening of global supply for coke and iron ore, the Group faced higher raw material costs but managed to significantly increase its sales volume to achieve a double-digit growth in net profits in 2Q2008, backed by increased production capacity and higher steel product prices in the PRC.

While the prices of raw materials are expected to remain volatile, the Group has in place a number of measures that will mitigate margin pressures: -

Long-Term Supply Contracts

In FY2007, the Group secured two-long term contracts with global iron ore suppliers for the supply of approximately 2.05 million tones of iron ore annually. These contracts will enable the Group to hedge against further increase in raw material prices and generate additional cost savings. [The supply contracts have commenced since July 2008.](#)

Supply of Iron Ore from Evraz

On 19 February 2007, the Group announced that Evraz Group S.A. (“Evraz”) – Russia’s second largest steelmaker has agreed to acquire from Delong’s existing majority shareholder Best Decade Holdings Limited (“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 23 March 2008 announced the signing of a lock-up agreement with Best Decade, Mr Ding Liguu and Ms Zhao Jing. Under the terms of the lock-up agreement, Evraz has agreed to procure the supply to Delong of at least 1 million tonnes of iron ore in 2008, to be raised to 2 million tonnes from 2009.

High-End Roller Mill

The first phase of the Group’s 35,000 tonne per annum high-end roller mill successfully commenced operation in 2Q2008. Targeting domestic and international large steel manufacturers, the Group expects the mill to reach full production capacity by 4Q2008.

Future Developments

The Group remains confident of the prospects of the PRC steel industry as underlying domestic demand remains strong. While HRC prices are expected to soften in 3Q2008, this is more a reflection of lower raw material prices in line with global trends of commodity prices than any slowdown in demand.

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

However, the first and final 1-tier tax-exempt dividend of 4.15 cents per ordinary share for the financial year ended 31 December 2007 amounted to S\$22.2 million was approved at Company’s Annual General Meeting held on 8 April 2008 and was paid on 23 April 2008.

(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 second quarter ended 30 June 2008

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