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 2009 to be false or misleading in any material respect.

On behalf of the Board of Directors

Mr. Ding Liguo
Chairman

Mr. Guo Sanxiang
Executive Director

Singapore
13 August 2009

德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 2009

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

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

The Group's financial information relating to the six-month period ended as of 30 June 2009 has been reported on in accordance with the Singapore Code on Takeovers and Mergers.

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

		The Group					
		2nd Quarter Ended		Increase	Half Year Ended		Increase
		30/06/2009	30/06/2008	(Decrease)	30/06/2009	30/06/2008	(Decrease)
	Note	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Sales		1,889,478	3,730,665	(49.4)	3,495,625	6,548,645	(46.6)
Cost of sales		(1,755,674)	(3,299,762)	(46.8)	(3,278,999)	(5,931,957)	(44.7)
Gross Profit		**133,804**	**430,903**	**(68.9)**	**216,626**	**616,688**	**(64.9)**
Other gains-net	1	17,861	21,234	(15.9)	22,383	24,531	(8.8)
Expenses							
-Distribution and marketing		(707)	(8,599)	(91.8)	(1,459)	(17,217)	(91.5)
-Administrative		(36,614)	(51,002)	(28.2)	(69,375)	(93,646)	(25.9)
-Finance		(70,630)	(69,675)	1.4	(127,640)	(145,371)	(12.2)
Profit before tax	2	43,714	322,861	(86.5)	40,535	384,985	(89.5)
Income tax expense	3	(8,820)	(39,341)	(77.6)	(11,186)	(55,157)	(79.7)
Net Profit		**34,894**	**283,520**	**(87.7)**	**29,349**	**329,828**	**(91.1)**
Other comprehensive income/ (loss):							
Gains/(losses) recognized directly in equity							
Financial assets, available-for-sale							
-Fair value (losses)/ gains		**(808)**	-		**550**	-	
-Losses previously recognized directly in equity now included in net loss		**22,317**	-		**22,531**	-	
Currency translation differences		**(1,679)**	4,238		**(2,738)**	860	
Other comprehensive income for the period, net of tax		**19,830**	**4,238**		**20,343**	**860**	
Total comprehensive income attributable to equity holders of the Company		**54,724**	**287,758**		**49,692**	**330,688**	

NM: not meaningful

Notes:-

1 Other gains−net

	The Group			
	2nd Quarter Ended		Half Year Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of scrap materials	-	1,132	-	2,180
Loss on disposal of financial assets, available- for- sale	(2,009)	-	(2,155)	-
Gain on disposal of financial assets at fair value through profit or loss	954	-	954	-
Fair value loss- financial assets at fair value through profit or loss	(15,142)	(442)	(14,946)	(5,033)
Interest income	4,034	7,540	11,195	30,830
Rental income from investment property	507	501	1,001	1,000
Currency translation gain-net	28,413	20,516	24,729	3,435
Loss on disposal of property, plant and equipment	(174)	(11,530)	(257)	(12,105)
Others	1,278	3,517	1,862	4,224
	17,861	21,234	22,383	24,531

The currency translation gain was mainly due to the revaluation of bank balances denominated in USD, SGD and AUD which were strengthened against RMB in 2Q2009.

2. Profit before taxation includes the following items:-

	The Group			
	2nd Quarter Ended		Half Year Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization	90,614	71,560	181,314	138,325
Staff and wages	34,369	37,111	69,758	77,371
Operating lease rental	168	501	357	899

3. Income Tax Expense

	The Group			
	2nd Quarter Ended		Half Year Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense /(credit)				
-Foreign	2,171	39,341	3,498	55,157
Deferred income tax	6,624	-	7,570	-
Underprovision in preceding financial years				
-Current income tax	25	-	118	-
	8,820	39,341	11,186	55,157

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 RMB '000		The Company RMB '000	
	Note	As at 30/06/2009	As at 31/12/2008	As at 30/06/2009	As at 31/12/2008
Current Assets					
Cash and cash equivalents		564,939	676,399	264,903	368,231
Bank balances pledged		639,223	638,789	-	-
Financial assets, at fair value through profit and loss	1	15,943	4,819	15,943	4,819
Trade and other receivables	2	133,621	150,970	38	52
Inventories		851,733	672,356	-	-
Other current assets	3	271,308	227,009	91	81
Tax recoverable		8,872	8,872	-	-
		2,485,639	2,379,214	280,975	373,183
Non-current assets					
Trade and other receivables	4	229,498	81,949	1,223,225	1,085,993
Investments in subsidiaries		-	-	1,884,916	1,884,916
Investment in joint venture	5	20,000	-	-	-
Financial assets, available-for-sale	6	10,000	32,158	-	22,157
Investment property		14,906	15,200	-	-
Property, plant and equipment		3,394,752	3,522,546	33	43
Deferred income tax assets		49,012	56,582	-	-
		3,718,168	3,708,435	3,108,174	2,993,109
Total assets		6,203,807	6,087,649	3,389,149	3,366,292
Current liabilities					
Trade and other payables		1,298,099	1,396,703	7,777	7,648
Notes payables		544,966	565,076	-	-
Borrowings		1,186,318	1,030,449	10	10
Convertible bonds	7	1,435,163	-	1,435,163	-
Current income tax liabilities		2,751	3,119	578	986
		4,467,297	2,995,347	1,443,528	8,644
Non-current liabilities					
Borrowings		339,646	356,321	20	29
Convertible bonds	7	-	1,388,810	-	1,388,810
		339,646	1,745,131	20	1,388,839
CAPITAL AND RESERVE					
Share capital		353,297	353,297	2,059,133	2,059,133
Capital reserve		249,218	249,218	249,218	249,218
Fair value reserve		-	(23,081)	-	(23,081)
Statutory reserve		141,072	141,072	-	-
Currency translation reserve		8,676	11,413	-	-
Retained earnings		644,601	615,252	(362,750)	(316,461)
Total equity		1,396,864	1,347,171	1,945,601	1,968,809
Total liabilities and equity		6,203,807	6,087,649	3,389,149	3,366,292

Notes:-

1. *This represents investment in equity securities listed in Hong Kong and Australia as well as unquoted options in Cape Lambert Iron Ore Limited("CFE"), a company listed on the Australia Stock Exchange.(2008:Investment in equity securities listed in Hong Kong)*

2. *Trade and other receivables - current*

	The Group	
	30/06/2009	31/12/2008
	RMB'000	RMB '000
Finance lease receivables *	28,238	-
Trade receivables	46,612	23,500
Notes receivable	58,771	127,055
Other receivables	-	415
	133,621	150,970

The Group started its mill roll manufacturing in 4Q2007. The increase in trade receivables was due to the increase in trade activities at Xingtai Delong Machinery and Mill Roll Co., Ltd.

As at 30 June 2009, the Board was of the view that no provision for doubtful debt was necessary as almost all of the sales were by way of notes receivables which were bank acceptance notes.

3. *Other current assets*

	The Group	
	30/06/2009	31/12/2008
	RMB'000	RMB'000
Deposits	56	9,343
Prepayments	197,797	145,617
Other	73,455	72,049
	271,308	227,009

The increase in prepayments was due to increase in advance payments to suppliers which were in line with the increase in inventories in 1H2009.

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

	The Group	
	30/06/2009	31/12/2008
	RMB'000	RMB'000
Finance lease receivables*	206,026	58,477
Due from an investee company	23,472	23,472
	229,498	81,949

**The Group started its leasing business in 4Q2007. The increase in finance lease receivable was in line with the increase in leasing activities in 1H2009.*

5. *The investment represents 20% shareholdings in Bohai Steel Alliance Co., Ltd ("Bohai Steel") Further information can be found in the Company's announcement dated 27 April 2009. AS of the date of this announcement, Bohai Steel has yet to commence its business activities.*

6. *The investment represents a 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd.(2008: 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd and unquoted options in CFE, a company listed on the Australia Stock Exchange)*

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

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

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

Amount repayable in one year or less, or on demand

As at 30/06/2009		As at 31/12/2008	
Secured	Unsecured*	Secured	Unsecured*
RMB'000	RMB'000	RMB'000	RMB'000
652,992	533,326	647,117	383,332

Amount repayable after one year

As at 30/06/2009		As at 31/12/2008	
Secured	Unsecured*	Secured	Unsecured*
RMB'000	RMB'000	RMB'000	RMB'000
248,337	91,309	340,940	15,381

Details of any collateral

The Group's borrowings are secured by the following:

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

* Borrowings amounting to RMB291,145,600 (2008:RMB 239,462,000) were guaranteed by third parties.

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

	The Group			
	2nd Quarter Ended		Half Year Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RMB '000	RMB '000	RMB '000	RMB'000
Cash flows from operating activities:				
Profit after income tax	34,894	283,520	29,349	329,828
Adjustments for:				
Depreciation	90,614	71,560	181,314	138,325
Loss on disposal of property, plant and equipment	174	11,530	257	12,105
Fair value loss on financial assets, fair value through profit or loss	15,142	-	14,946	-
Gain on disposal of financial assets, fair value through profit or loss	(954)	-	(954)	-
Loss on disposal of financial assets, available-for-sale	2,009	-	2,155	-
Interest income	(4,034)	(7,540)	(11,195)	(30,830)
Interest expense	70,630	69,675	127,640	145,371
Income tax expense	8,820	39,341	11,186	55,157
	182,401	184,566	325,349	320,128
Operating cash flow before working capital changes	217,295	468,086	354,698	649,956
Bank balances pledged	(59,244)	(150,395)	(434)	(397,617)
Receivables	(25,409)	(75,217)	(177,096)	(371,690)
Inventories	(8,832)	(426,635)	(179,377)	(434,583)
Payables	28,438	377,596	(118,714)	744,478
	(65,047)	(274,651)	(475,621)	(459,412)
Cash used in operating activities	152,248	193,435	(120,923)	190,544
Income tax paid	(1,370)	4,349	(3,984)	(13,256)
Net cash provided by/(used in) operating activities	150,878	197,784	(124,907)	177,288
Cash flows from investing activities:				
Payments for property, plant and equipment	(19,669)	(155,938)	(54,252)	(310,590)
Proceeds from disposal of property, plant and equipment	250	96	629	96
Proceeds from disposal of financial assets, available for sale	12,817		13,104	
Proceeds from disposal of financial assets, at fair value through profit and loss	4,864	-	4,864	-
Investment in joint venture	-	-	(20,000)	-
Interest received	4,034	7,540	11,195	30,830
Net cash provided by/(used in) investing activities	2,305	(148,302)	(44,460)	(279,664)
Cash flows from financing activities:				
Proceeds from borrowings	777,366	543,288	1,555,339	1,074,539
Repayment of borrowings	(791,565)	(432,648)	(1,416,145)	(1,027,882)
Proceeds from warrants conversion	-	177	-	222
Dividend paid	-	(112,135)	-	(112,135)
Interest paid	(45,782)	(45,716)	(81,287)	(97,547)
Net cash provided by/(used in) financing activities	(59,981)	(47,034)	57,907	(162,803)
Net decrease in cash and cash equivalents	93,202	2,448	(111,460)	(265,179)
Cash and cash equivalents at beginning of the period	471,737	730,748	676,399	998,375
Cash and cash equivalents at end of the period	564,939	733,196	564,939	733,196

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**	**Fair value reserve**	**Currency translation reserve**	**Statutory reserve**	**Retained earnings**	**Total**
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB'000	RMB '000
Balance as at 1 January 2009	353,297	249,218	(23,081)	11,413	141,072	615,252	1,347,171
Total comprehensive income/(loss) for the period	-	-	1,572	(1,058)	-	(5,545)	(5,031)
Balance as at 31 March 2009	353,297	249,218	(21,509)	10,355	141,072	609,707	1,342,140
Total comprehensive income/(loss) for the period	-	-	21,509	(1,679)	-	34,894	54,724
Balance as at 30 June 2009	353,297	249,218	-	8,676	141,072	644,601	1,396,864

The Group	**Share capital**	**Capital reserve**	**Currency translation reserve**	**Statutory reserve**	**Retained earnings**	**Total**
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2008	350,564	249,479	(2,276)	141,072	1,186,890	1,925,729
Issue of shares pursuant to exercise of warrants	45	-	-	-	-	45
Total comprehensive income/(loss) for the period	-	-	(3,378)	-	46,308	42,930
Balance as at 31 March 2008	350,609	249,479	(5,654)	141,072	1,233,198	1,968,704
Issue of shares pursuant to exercise of warrants	177	-	-	-	-	177
Dividend paid	-	-	-	-	(112,135)	(112,135)
Total comprehensive income for the period	-	-	4,238	-	283,520	287,758
Balance as at 30 June 2008	350,786	249,479	(1,416)	141,072	1,404,583	2,144,504

<u>The Company</u>	**Share capital**	**Capital reserve**	**Fair value reserve**	**Retained earnings**	**Total**
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2009	2,059,133	249,218	(23,081)	(316,461)	1,968,809
Total comprehensive income/(loss) for the period	-	-	1,572	(26,700)	(25,128)
Balance as at 31 March 2009	2,059,133	249,218	(21,509)	(343,161)	1,943,681
Total comprehensive income/(loss) for the period	-	-	21,509	(19,589)	1,920
Balance as at 30 June 2009	2,059,133	249,218	-	(362,750)	1,945,601

<u>The Company</u>	**Share capital**	**Capital reserve**	**Retained earnings**	**Total**
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2008	2,056,549	249,404	(52,118)	2,253,835
Issue of shares pursuant to exercise of warrants	45	-	-	45
Total comprehensive loss for the period	-	-	(40,905)	(40,905)
Balance as at 31 March 2008	2,056,594	249,404	(93,023)	2,212,975
Issue of shares pursuant to exercise of warrants	177	-	-	177
Dividend paid	-	-	(112,135)	(112,135)
Total comprehensive loss for the period	-	-	(64,793)	(64,793)
Balance as at 30 June 2008	2,056,771	249,404	(269,951)	2,036,224

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	30/06/2009	30/06/2008
Number of ordinary shares at 1 April	535,478,498	535,010,051
Shares arising from exercise of warrants	-	70,556
Number of ordinary shares at 30 June	535,478,498	535,080,607

Outstanding Warrants as at	30/06/2009	30/06/2008
Outstanding warrants that are convertible into ordinary shares	-	494,372
Convertible Bonds as at	30/06/2009	30/06/2008
Number of shares that maybe issued on conversion of all		
outstanding convertible bonds	68,431,101	68,502,644

Notes:

The Company's warrants had expired in October 2008.

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

The Company has no treasury shares.

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

Not Applicable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	The Group			
	2nd Quarter Ended		Half Year Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	34,894	283,520	29,349	329,828
Basic earnings per share (in RMB cents)	6.52	53.0	5.48	61.9
Diluted earnings per share (in RMB cents)	6.52	52.9	5.48	61.8
Weighted average no. of shares outstanding for basic earnings per share	535,478,498	535,070,164	535,478,498	532,908,586
Weighted average no. of shares outstanding for diluted earnings per share	535,478,498	535,557,449	535,478,498	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 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 2008. There were no outstanding warrants as at 30 June 2009. The warrants had expired in October 2008. The convertible bonds, which can be converted into ordinary shares of the Company do not have a dilutive effect on conversion and hence are not included in the calculation of the diluted earnings per share.

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	
	30/06/2009	31/12/2008	30/06/2009	31/12/2008
Net Asset Value per share (RMB cents)	260.9	251.6	363.3	367.7

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

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

(a) Review of income statement of the Group

2Q2009 vs 2Q2008

Revenue

Revenue decreased by RMB1.84 billion or 49.4% from RMB3.73 billion in 2Q2008 to RMB1.89 billion in 2Q2009. The decrease in revenue was principally attributed to the decrease in the sales volume arising from the weaker demand of Hot Rolled Coils ("HRC") in PRC as a result of global economic downturn and the significant decrease in the average selling prices of HRC in 2Q2009 as compared to previous corresponding period.

In 2Q2009 the Group sold 645,812 tonnes of Hot Rolled Coils ("HRC") and 11,372 tonnes of steel billets as compared to 754,453 tonnes of HRC and 18,736 tonnes of steel billets in 2Q2008. Overall sales quantity decreased by 116,005 tonnes or 15.0%. The Group also sold 883 tonnes of mill rolls during the period under review.

The Group started its leasing activities in 4Q2007, revenue from the leasing activities accounted for approximately 0.05% of the Group's revenue in 2Q2009.

Cost of sales

Cost of sales decreased by RMB1.54 billion or 46.8% from RMB 3.30 billion in 2Q2008 to RMB1.76 billion in 2Q2009. The decrease was in line with the decrease in revenue and lower raw material prices for steel production in 2Q2009 compared to the previous corresponding period.

Gross profit

Gross profit decreased by RMB297.1 million or 68.9% from RMB 430.9 million in 2Q2008 to RMB133.8. million in 2Q2009.

Gross profit margin decreased from 11.6% in 2Q2008 to 7.1% in 2Q2009 primarily due to the decrease in the average selling prices of HRC sold which outpaced the decrease in raw materials prices.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB 7.9 million from RMB8.6 million in 2Q2008 to RMB0.7 million in 2Q2009. This was due to decrease in distribution related expenses as a result of lower sales quantity and the Group had ceased to provide delivery service to certain customers as compared to previous corresponding period.

Administrative expenses

Administrative expenses decreased by RMB14.4 million from RMB 51.0 million in 2Q2008 to RMB36.6 million in 2Q2009. The decrease was due to the decrease in employee related costs and general administrative expenses e.g., traveling expenses, entertainment, legal and professional fees etc, which were in line with the decrease in revenue resulting from the lower sales quantity in 2Q2009 as compared to previous corresponding period.

Finance expenses

Finance expenses increased by RMB0.9 million from RMB 69.7 million in 2Q2008 to RMB 70.6 million in 2Q2009. Despite the lower interest rates on bank borrowings in 2Q2009, the increase in finance expenses was due to an increase in bank borrowings drawdown for general corporate and working capital purposes as compared to previous corresponding period.

Net profit

Net profit after tax decreased by RMB248.6 million or 87.7% from RMB283.5 million in 2Q2008 to RMB 34.9 million in 2Q2009. The net profit margins in 2Q2008 and 2Q2009 were 7.6% and 1.8% respectively.

The lower net profit margin in 2Q2009 as compared with 2Q2008 was primarily attributable to the lower operating profit margin.

<u>1H2009 vs 1H2008</u>

Revenue

Revenue decreased substantially from RMB6.54 billion in 1H2008 to RMB3.49 billion in 1H2009, representing a decrease of RMB 3.05 billion or 46.6%. The decrease in revenue was principally attributed to the decrease in the sales volume and lower average selling price in 1H2009

In 1H2009 the Group sold 1,182,452 tonnes of HRC and 22,862 tonnes of steel billets as compared to 1,435,453 tonnes of HRC and 25,576 tonnes of steel billets in 1H2008. Overall sales volume decreased by 255,715 tonnes or 17.5%. The Group also sold 1,267 tonnes of mill rolls in 1H2009.

Revenue from the leasing activities accounted for approximately 0.2% of the Group's revenue in 1H2009.

Cost of sales

Cost of sales decreased by RMB 2.66 billion or 44.7% from RMB 5.93 billion in 1H2008 to RMB3.27 billion in 1H2009 principally attributable to the decrease in volume of HRC sold. The decease was also due to the significant decrease in the prices of raw materials in 1H2009 compared with previous corresponding period.

Gross profit

Gross profit decreased by RMB 400.1 million or 64.9% from RMB616.7 million in 1H2008 to RMB 216.6 million in 1H2009.

Gross profit margin decreased by 3.2 percentage point from 9.4% in 1H2008 to 6.2% in 1H2009. The decrease was primarily due to the substantial decrease in product selling prices which outpaced the decreased in raw material prices.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB15.7 million from RMB17.2 million in 1H2008 to RMB1.5 million in 1H2009. This was due to decrease in distribution related expenses as a result of lower sales quantity and the Group had ceased to provide delivery service to certain customers with effect from February 2009.

Administrative expenses

Administrative expenses decreased by RMB 24.2 million from RMB 93.6 million in 1H2008 to RMB 69.4 million in 1H2009 due to decrease in general administrative expenses and lower personnel expenses incurred as a result of lower sales quantity in 1H2009.

Finance expenses

Finance expenses decreased by RMB17.8 million from RMB145.4 million in 1H2008 to RMB127.6 million in 1H2009. The decrease was due to the lower interest rates on bank borrowings, although there was an increase in bank borrowings drawdown for working capital purposes. The interest expense accrued on the Convertible Bonds amounted to a total of RMB 42.1 million in 1H2009.

Net profit

Net profit after tax decreased by RMB300.5 million or 91.1% from RMB329.8 million in 1H2008 to RMB29.3 million in 1H2009. The net profit margins in 1H2008 and 1H2009 were 5.0% and 0.8% respectively.

The lower net profit margin in 1H2009 as compared with 1H2008 was primarily attributable to the lower operating profit margin.

(b) Review of balance sheet of the Group as at 30 June 2009

Current assets

Current assets increased by RMB110.0 million from RMB2.37 billion as at 31 December 2008 to RMB 2.48 billion as at 30 June 2009. The increase was primarily attributable to the increase in inventories and prepayments to suppliers which were in line with the increase in inventories.

The increase in inventories was mainly due to the increased purchase of raw materials in line with the higher production in 1H2009 which in turn required higher raw materials stock to be maintained.

Current liabilities

Current liabilities increased by RMB1.47 billion from RMB 2.99 billion as at 31 December 2008 to RMB4.46 billion as at 30 June 2009. The increase was primarily attributable to the increase in bank borrowings drawn down for working capital purposes. The increase in bank borrowings was partially offset by the decrease in notes payable issued for payment to creditors and suppliers as well as decreased in trade and other payables.

The increase in borrowings was attributable to the utilization of letter of credit for payments to creditors and suppliers, which was in line with the decrease in notes payable and trade and other payables.

The higher utilization of letter of credit was due to the lower security requirement as compared to notes payable.

Working capital

The Group had negative working capital of RMB1.98 billion as at 30 June 2009. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure and for working capital purposes as well as the reclassification of convertible bonds of RMB1.43 billion from non-current liabilities to current liabilities in 2Q2009. (Note: Although the convertible bonds will expire on 8 June 2010 but the bondholder has the right to require the Company to redeem all or part of the bonds on or after 8 June 2010)

In addition, pre-payments from customers amounting to RMB541.6 million were recorded as current liabilities in the balance sheet.

Excluding the convertible bonds above, the Group's negative working capital position would have been lower at RMB550.0 million.

As at 30 June 2009, the Group had satisfactorily maintained its credit standing and facilities with financial institutions during the periods under review and the credit facilities had constantly been renewed and/or rolled–over annually by the financial institutions.

Non current assets – Property, plant and equipment

Property, plant and equipment decreased by RMB 13.0 million from RMB3.52 billion as at 31 December 2008 to RMB3.39 billion as at 30 June 2009 primarily due to the provision for depreciation on property, plant and equipment during the period under review.

The capital expenditure incurred on the construction of progress of the mill roll plant at Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll) in 1H2009 was approximately RMB20.5 million.

(c) Review of cash flow statement of the Group

2Q2009 vs 2Q2008

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by RMB250.8 million from RMB468.1 million in 2Q2008 to RMB217.3 million in 2Q2009. The decrease was primarily due to the decrease in operating profit. Cash used in working capital improved by RMB209.7 million from RMB274.7 million in 2Q2008 to RMB65.0 in 2Q2009, attributable mainly to the decrease in receivables, inventories and bank balances pledged as securities for notes payable.

The decrease in inventories was mainly due to the decreased purchase of raw materials in line with the lower production in 2Q2009 as compared to 2Q2008. The decrease in receivables was in line with the decrease in revenue. The decrease in bank balances pledged was in line with the decrease in notes payable.

After taking into consideration cash used for working capital and income tax paid of RMB1.4 million, the net cash generated by operating activities was RMB150.9 million in 2Q2009.

Net Cash Used In Investing Activities

Net cash generated from investing activities was RMB2.3 million in 2Q2009. This was mainly attributable to the net proceeds of RMB17.7 million received from disposal of financial assets during the period under review and partially offset by the payment for construction in progress in relation to the mill roll at Xingtai Delong.

Net Cash Used in Financing Activities

Net cash used in financing activities was RMB60.0 million in 2Q2009. This was mainly attributable to the drawdown of short-term loans of RMB777.4 million for working capital less principal and interest repayments of RMB837.3 million.

1H2009 vs 1H2008

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by RMB295.3 million from RMB650.0 million in 1H2008 to RMB354.7 million in 1H2009. The decrease was primarily due to the decrease in operating profit. Cash generated from operating activities decreased by RMB302.2 million from cash generated from operating activities of RMB177.3 million in 1H2008 to cash used in operating activities of RMB124.9 million 1H2009, attributable mainly to payments to creditors and suppliers.

Net Cash Used In Investing Activities

Net cash used in investing activities was RMB44.5 million in 1H2009, attributable mainly to the payments for construction in progress in connection to the mill roll plant at Xingtai Delong. The Group invested RMB20.0 million in a new business entity, Bohai Steel Alliance Co., Ltd ("Bohai Steel") in PRC during the period under review. Bohai Steel's principal activity is the import and export of raw materials, finished products and technology.

Net Cash Generated From Financing Activities

Net cash inflow from financing activities was RMB57.9 million in 1H2009. This was mainly attributable to the drawdown of short-term loans. The increase was partially offset by the repayments of principal and interest for bank borrowings.

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

The PRC economy has seen steady recovery in 2Q2009, achieving a year-on-year GDP growth of 7.9%, from 6.1% recorded in 1Q2009. This recovery was largely triggered by the RMB 4 trillion stimulus package introduced by the PRC central government targeted at mitigating the effects of slower economic growth in the PRC and to increase demand in fixed assets investment.

Steelmakers within the PRC benefited from the RMB 4 trillion stimulus package as domestic demand for steel and steel-related products rose in line with the increase in demand for fixed-asset investments and automotive purchases.

While conditions within the PRC has improved, conditions surrounding the recovery of the global economy remains unclear. In view of these factors, Delong will continue to focus on (i) cost containment measures in limiting the impacts of price fluctuations and to ensure a steady supply of iron ore; (ii) sales efforts to capitalize on current market demand for steel and steel-related products to maximize operating returns in 2H2009; and (iii) variation of its product mix and the production of higher-margin specialized steel products.

Possible Acquisition by Evraz Group S.A.

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

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

Subsequently, Evraz had on 11 February 2009, announced that it had entered into a second supplemental agreement with Best Decade and the Covenantors to amend the terms of the SPA (as amended by the Supplemental Agreement), pursuant to which Evraz, Best Decade and the Covenantors agreed, inter alia, to further extend the period for which Evraz is entitled to exercise its Call Option and the period for which Best Decade is entitled to exercise its Put Option subject to satisfaction of certain conditions (including the necessary anti-trust approvals from the PRC regulatory authorities) to 18 August 2009. As at 30 June 2009, the review of the anti-trust approval has yet to be completed. Evraz and Best Decade are currently working closely with the relevant PRC authorities to obtain the necessary anti-trust approval for the acquisition and will advise shareholders on any developments that occur.

Business Outlook

The volatility in raw material prices coupled with an oversupply in steel and steel-related products may continue to place pressures on the performances of steel manufacturers in the PRC. As at 30 June 2009, talks between the PRC steel manufacturers and the major global iron ore miners have not been finalized. This continued delay in the agreement of an indicative benchmark rate for the year will continue to bring about volatility in raw material prices and may result in margin pressures for PRC steel manufacturers.

The credit market remains tight over the near term as domestic lenders adjust lending policies to reduce potential credit risks. The Group remains in a net current liabilities position. While it has existing secured and unsecured credit facilities with various domestic and foreign financial institutions, the Group is monitoring closely the bank tightening policies towards the steel industry.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(C) Date payable and Book Closure Date

N.A.

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

The Board of Directors of the Company does not recommend that a dividend be paid for the second quarter 30 June 2009.

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

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

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

N.A

15. A breakdown of Sales

N.A

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

N.A

BY ORDER OF THE BOARD

Ding Liguo
Executive Chairman