德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED

(REG NO.199705215G)

Third Quarter Financial Statements Announcement

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

INTRODUCTION

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

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

The Company also completed the allotment and issuance of 234,150,000 new ordinary shares at S$0.09 per share raising net proceeds of S$20.4 million. As of the date of this announcement, the Company had utilised the net proceeds for the intended purposes i.e reduce its bank borrowings and improve its working capital purposes.

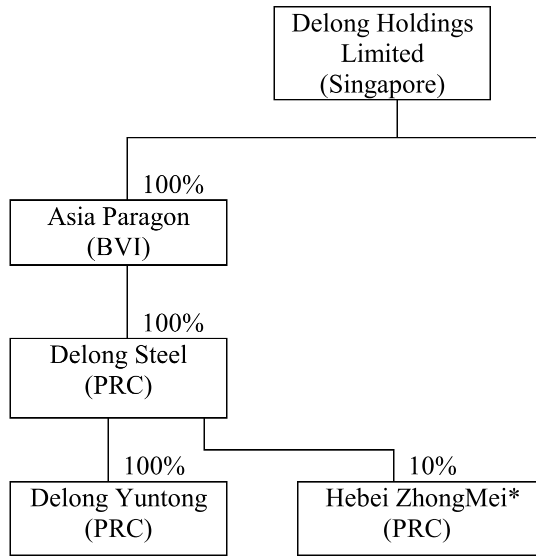
Simultaneous with the Acquisition, the Company had also completed the disposal of Fine Components (Thailand) Co. Ltd which marked the exit of the Group from the automotive components industry.

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

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

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

The present corporate structure of the Group is as follows:



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

BASIS OF PREPARATION

At the Group's level

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

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

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

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

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

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

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

At the Company's level

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

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

	The Group					
	3rd Quarter Ended		Increase	9 Months Ended		Increase
	30-9-2005	30-9-2004*	(Decrease)	30-09-2005	30-09-2004*	(Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Sales	215,402	196,320	9.7	677,020	533,042	27.0
Cost of sales	(183,607)	(175,206)	4.8	(535,554)	(488,332)	9.7
Gross Profit	**31,795**	**21,114**	**50.6**	**141,466**	**44,710**	**216.4**
Other operating income	2,235	1,353	65.2	4,119	3,091	33.3
Distribution expenses	(663)	(288)	130.2	(3,085)	(471)	NM
Administrative expenses	(3,913)	(1,012)	286.7	(9,608)	(4,921)	95.2
Other operating expenses	(540)	(83)	NM	(851)	(1,296)	(34.3)
Profit from operations	**28,914**	**21,084**	**37.1**	**132,041**	**41,113**	**221.2**
Exceptional items**	-	-	-	(12,786)	-	NM
Finance costs	(1,749)	(1,659)	5.4	(5,483)	(4,612)	18.9
Profit before tax	27,165	19,425	39.8	113,772	36,501	211.7
Tax***	-	(5,654)	NM	-	(12,348)	NM
Profit after tax	**27,165**	**13,771**	**97.3**	**113,772**	**24,153**	**371.0**

NM: Not meaningful

Notes:-

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

** Exceptional items comprise:

	The Group			
	3rd Quarter Ended		9 Month Ended	
	30-09-2005	30-09-2004	30-09-2005	30-09-2004
	S$'000	S$'000	S$'000	S$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Impairment goodwill on the Acquisition	-	-	11,941	-
Expenses relating to the Acquisition	-	-	845	-
	-	-	12,786	-

*** Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of the PRC, is entitled to a two-year full tax exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore there is no tax expense for Delong Steel for third quarter ended 30 September 2005 ("3Q2005") and for the nine-month period ended 30 September 2005 ("9M2005").

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

	The Group S$'000		The Company S$'000	
	As at 30-09-05 (Unaudited)	As at 31-12-04 (Unaudited)	As at 30-09-05 (Unaudited)	As at 31-12-04 (Unaudited)
Current Assets				
Cash and cash equivalents	23,785	41,044	237	402
Bank balances pledged	31,652	25,870	-	-
Trade and other receivables	46,497	64,622	53	32
Inventories	69,742	91,710	-	-
	171,676	223,246	290	434
Non-current assets				
Subsidiaries	-	-	386,264	6,357
Available-for-sale financial asset	2,110	1,990	-	-
Property, plant and equipment	320,269	193,086	-	83
	322,379	195,076	386,264	6,440
Total assets	494,055	418,322	386,554	6,874
Current liabilities				
Trade and other payables	134,817	148,742	618	6,212
Notes payables	16,881	22,487	-	-
Borrowings	94,256	147,287	-	501
Provision for current tax	24,090	31,058	7	7
	270,044	349,574	625	6,720
Non-current liabilities				
Borrowings	10,401	11,241	-	60
Deferred tax liabilities	140	-	3	3
	10,541	11,241	3	63
CAPITAL AND RESERVE:				
Share capital	58,377	34,230	265,001	8,293
Reserves	155,093	23,277	120,925	(8,202)
	213,470	57,507	385,926	91
Total liabilities and equity	494,055	418,322	386,554	6,874

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

Amount repayable in one year or less, or on demand

As at 30-09-2005 (Unaudited)		As at 31-12-2004 (Unaudited)	
Secured	Unsecured*	Secured	Unsecured*
S$'000	S$'000	S$'000	S$'000
71,044	23,212	91,214	56,073

Amount repayable after one year

As at 30-09-2005 (Unaudited)		As at 31-12-2004 (Unaudited)	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
10,401	-	11,241	-

Details of any collateral

The Group's borrowings are secured by the following:

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

*Borrowings amounting to S$23,212,000 (31-12-2004:S$34,825,000) were guaranteed by a third party.

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			
	3rd Quarter Ended		9 Months Ended	
	30-09-2005	30-09-2004	30-09-2005	30-09-2004
	S$'000	S$'000	S$'000	S$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Cash flows from operating activities:				
Profit before taxation	27,165	19,425	113,772	36,501
Adjustments for:				
Depreciation	5,077	4,729	14,134	15,154
Impairment of goodwill	-	-	11,941	-
Loss on disposal of property, plant and equipment	-	78	8	994
Interest income	(214)	(64)	(692)	(216)
Interest expense	1,749	1,659	5,483	4,090
	6,612	6,402	30,874	20,022
Operating cash flow before working capital changes	33,777	25,827	144,646	56,523
Bank balances pledged	(28,380)	7,603	(5,782)	7,007
Receivables	6,520	548	20,277	(49,420)
Inventories	6,757	(14,642)	21,969	(6,718)
Payables	11,745	(4,022)	(21,334)	25,340
	(3,358)	(10,513)	15,130	(23,791)
Cash generated from operating activities	30,419	15,314	159,776	32,732
Income tax paid	(3,750)	(5,654)	(6,975)	(9,262)
Interest received	214	64	692	216
Exchange differences	(3,941)	328	(7,081)	328
	(7,477)	(5,262)	(13,364)	(8,718)
Net cash generated from operating activities	22,942	10,052	146,412	24,014
Cash flows from investing activities:				
Payment for property, plant and equipment	(50,374)	(6,253)	(126,310)	(10,535)
Proceeds from disposal of property, plant and equipment	-	84	71	275
Net cash flow on acquisition of subsidiary	-	-	442	-
Net cash used in investing activities	(50,374)	(6,169)	(125,797)	(10,260)
Cash flows from financing activities:				
Proceeds from borrowings	26,432	11,611	48,322	30,314
Repayment of borrowings	(27,467)	(11,220)	(79,821)	(34,239)
(Decrease)/ Increase in amount due to a related party	-	-	(21,248)	1,747
Proceeds from Share Placement	-	-	21,074	-
Expenses for Share Placement	-	-	(718)	-
Interest paid	(1,749)	(1,659)	(5,483)	(5,047)
Net cash used in financing activities	(2,784)	(1,268)	(37,874)	(7,225)
Net (decrease)/ increase in cash and cash equivalents	(30,216)	2,615	(17,259)	6,529
Cash and cash equivalents at beginning of the period	54,001	17,553	41,044	13,639
Cash and cash equivalents at end of the period	23,785	20,168	23,785	20,168

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

The Group

	Issued Capital	Share Premium	Translation Reserves	Statutory Reserves	Other Reserves	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 January 2005							
As previously reported (Note 1)	34,230	-	(29)	2,860	-	20,446	57,507
Effect of FRS 39	-	-	-	-	-	4,822	4,822
Restated	34,230	-	(29)	2,860	-	25,268	62,329
Cost of acquisition of the Company by Asia Paragon (Note 2)	12,439	-	-	-	-	-	12,439
Issue of shares pursuant to Share Placement	11,708	8,648	-	-	-	-	20,356
Issue of shares pursuant to exercise of warrants*	-	-	-	-	-	-	-
Currency translation differences	-	-	538	-	-	-	538
Net profit for the period	-	-	-	-	-	34,880	34,880
Balance as at 31 March 2005	58,377	8,648	509	2,860	-	60,148	130,542
Issue of shares pursuant to exercise of warrants+	-	-	-	-	-	-	-
Currency translation differences	-	-	1,663	-	-	-	1,663
Net profit for the period	-	-				51,727	51,727
Balance as at 30 June 2005	58,377	8,648	2,172	2,860	-	111,875	183,932
Issue of shares pursuant to exercise of warrants++	-	-	-	-	-	-	-
Currency translation differences	-	-	2,373	-	-	-	2,373
Net profit for the period	-	-	-	-	-	27,165	27,165
Balance as at 30 September 2005	58,377	8,648	4,545	2,860	-	139,040	213,470
Balance as at 1 January 2004(Note 3)	1	-	-	-	18,854	-	18,855
Net profit for the period	-	-	-	-	-	14,474	14,474
Transfer from retained earnings to other reserves(Note 4)	-	-	-	-	14,474	(14,474)	-
Balance as at 31 March 2004	1	-	-	-	33,328	-	33,329
Net loss for the period	-	-	-	-	-	(4,092)	(4,092)
Transfer from retained earnings to other reserves (note 4)	-	-	-	-	(4,092)	4,092	-
Balance as at 30 June 2004 (Note 3)	1	-	-	-	29,236	-	29,237
Adjustment arising from restructuring exercise	-	-	-	-	(34,229)	-	(34,229)
Net profit for the period	-	-	-	-	-	13,771	13,771
Transfer from retained earnings to other reserves (note 5)		-	-	-	951	(951)	-
Transfer from other reserve to retained earning (note 6)	-	-	-	-	4,042	(4,042)	-
Issue of shares pursuant to restructuring exercise	34,229	-	-	-	-	-	34,229
Balance as at 30 September 2004	34,230	-	-	-	-	8,778	43,008

Explanatory notes:

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

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

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

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

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

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

Note 5: This represents the net profit of Xingtai Delong transferred to other reserve for the period from 1 July 2004 to 12 July 2004. Effective 12 July 2004, Delong Steel took over the assets and liabilities of Xingtai Delong.

Note 6: This represents the excess of the purchase consideration over the net assets acquired from Xingtai Delong, accounted for using the pooling of interest method.

The Company	**Share capital S$'000**	**Share premium S$'000**	**Retained earnings S$'000**	**Total S$'000**
Balance as at 1 January 2005	8,293	7,520	(15,722)	91
Issue of shares pursuant to the Acquisition	245,000	122,500	-	367,500
Issue of shares pursuant to share placement	11,708	8,648	-	20,356
Issue of shares pursuant to exercise of warrants*	-	-	-	-
Net loss for the period	-	-	(884)	(884)
Balance as at 31 March 2005	265,001	138,668	(16,606)	387,063
Issue of shares pursuant to exercise of warrants+	-	-	-	-
Net loss for the period	-	-	(675)	(675)
Balance as at 30 June 2005	265,001	138,668	(17,281)	386,388
Issue of shares pursuant to exercise of warrants++	-	-	-	-
Net loss for the period	-	-	(462)	(462)
Balance as at 30 September 2005	265,001	138,668	(17,743)	385,926
Balance as at 1 January 2004	7,293	7,057	(8,627)	5,723
Net loss for the period	-	-	(152)	(152)
Balance as at 31 March 2004	7,293	7,057	(8,779)	5,571
Net loss for the period	-	-	(2,789)	(2,789)
Balance as at 30 June 2004	7,293	7,057	(11,568)	2,782
Net loss for the period	-	-	(399)	(399)
Balance as at 30 September 2004	7,293	7,057	(11,967)	2,383

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

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

++ On 1 August 2005, the Company issued 2,500 ordinary shares at S$0.05 per share pursuant to the exercise of warrants. The amount is not shown due to rounding-off effects.

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 3rd Quarter Ended	30-09-05	30-09-04
Number of ordinary shares at beginning of period	5,300,003,000	145,850,000
Shares arising from exercise of Warrant	2,500	-
Number of ordinary shares at end of period	5,300,005,500	145,850,000

Outstanding Warrants as at	30-09-05	30-06-04
Outstanding warrants that are convertible into ordinary shares	55,744,485	55,749,985

On 1 August 2005, the Company issued 2,500 new shares arising from the conversion of warrants.

Other than as disclosed above, no other shares were issued for 3Q2005.

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

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

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

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

The adoption of the above FRS did not result in material changes to the Group's and Company's financial results except for the adoption of FRS39 for which the effects are set out below:

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

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

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

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

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

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30-09-2005 S$'000	30-09-2004 S$'000	30-09-2005 S$'000	30-09-2004 S$'000
Net profit for the period	27,165	13,771	113,772	24,153
Basic earnings per share (in cents)	0.51	0.28	2.17	0.49
Diluted earnings per share (in cents)	0.51	0.28	2.16	0.49
Weighted average no. of shares used for Basic earnings per share	5,300,004,658	4,900,000,000	5,242,537,407	4,900,000,000

Explanatory Notes:

(a) Basic earnings per share is calculated based on the weighted average number of shares in issue during the period under review. Weighted average number of shares in issue for 3Q2005 and 9M 2005 represents weighted number of ordinary shares in issue for 3Q2005 and 9M2005 of the Company, assuming the 4,900,000,000 shares issued to Best Decade pursuant to the Acquisition has been outstanding through out the period.

(b) Diluted earnings per share is calculated based on weighted average number of shares in issue during the period under review, after adjusting to include the dilutive effect of the outstanding warrants for 3Q2005 and 9M2005 respectively.

(c) Weighted average number of shares outstanding during the quarter ended 30 September 2004 ("3Q2005") and nine-month period ended 30 September 2004 (9M2004) represent the number of ordinary shares issued to Best Decade pursuant to the Acquisition (i.e. 4,900,000,000 shares).

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

	The Group		The Company	
	30-09-2005	31-12-2004	30-09-2005	31-12-2004
Net Asset Value per share (cents)	4.03	1.17	7.28	0.05

Net asset value per share for the Group and Company as at 30 September 2005 is calculated based on 5,300,005,500 ordinary shares in issue at the end of the financial period under review.

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

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

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

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

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

(a) Review of income statement of the Group

3Q 2005 vs 3Q 2004

Revenue

The Group's revenue increased by S$19.1 million or 9.7% from S$196.3 million in 3Q2004 to S$215.4 million in 3Q2005 taking into consideration foreign exchange rate changes during the period under review. The increase in revenue was principally attributable to the increase in volume of products sold and change in product mix.

The Group sold 341,000 tonnes of mid-width steel coils and 10,000 tonnes of steel billets in 3Q2005 as compared to 246,000 tonnes of mid-width steel coils and 100,000 tonnes of steel billets in 3Q2004. Overall sales volume increased by 5,000 tonnes or 1.4%. The average selling prices of the Group's products decreased slightly during the period under review as compared to the previous corresponding period; steel billets price per tonne eased by RMB 177 from RMB 2,515 in 3Q2004 to RMB 2,338 in 3Q2005. Mid-width steel coils price per tonne lowered by RMB 55 from RMB 2,802 in 3Q2004 to RMB 2,747 in 3Q2005.

Cost of sales

Cost of sales increased by S$8.4 million or 4.8 % from S$175.2 million in 3Q2004 to S$183.6 million in 3Q2005 and was in line with the increase in revenue.

Gross profit

Gross profit increased by S$10.7 million or 50.6% from S$21.1 million in 3Q2004 to S$31.8 million in 3Q2005. Gross profit margin was 14.8% in 3Q2005 as compared to 10.8% in 3Q2004. The higher gross profit margin in 3Q2005 was primarily due to the increase in revenue and change in product mix.

Other Operating Income

Other operating income increased by S$0.8 million or 65.2% from S$1.4 million in 3Q2004 to S$2.2 in 3Q2005 due to increase in interest income and sale of scrap metal. There was also foreign exchange gain of S$0.4 million arising from the translation of inter-company balances by the subsidiaries within the Group. The gain arose as a result of the strengthening of the RMB relative to the Singapore dollar.

Distribution expenses

Distribution expenses increased by S$0.4 million or 130.2% from S$0.3 million in 3Q2004 to S$0.7 million in 3Q2005. Effective 1 January 2005, the Group commenced delivering its products to certain customers. Prior to 1 January 2005, all sales made by the Group were ex-factory.

Administrative expenses

Administrative expenses increased by S$2.9 million or 286.7% from S$1.0 million in 3Q2004 to S$3.9 in 3Q2005 due to increase in employee-related costs and general administrative expenses in line with the increase in sales volume.

Operating Profit

Operating profit increased by S$7.8 million or 37.1% from S$21.1 million in 3Q2004 to S$28.9 million in 3Q2005, representing an operating profit margin of 10.7% in 2Q2004 and 13.4% in 3Q2005. The improvement in operating profit was primarily due to higher profit margin in 3Q2005 resulting from better product mix and increased efficiency.

Tax

Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of PRC, is entitled to a two-year full tax exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore, there was no tax expense for 3Q2005.

Net profit

Net profit after tax and exceptional items increased by S$13.4 million or 97.3% from S$13.8 million in 3Q2004 to S$27.2 million in 2Q2005, representing a net profit margin of 7% in 3Q2004 and 12.6% in 3Q2005. The higher net profit margin in 3Q2005 was primarily attributable to the higher operating profit margin.

<u>9M2005 vs 9M2004</u>

Revenue

The Group's revenue increased by RMB 640.0 million or 24.7% from RMB 2.59 billion in 9M2004 to RMB 3.23 billion in 9M2005, an increase of S$144.0 million or 27.0% from S$533.0 million in 9M2004 to S$677.0 million in 9M2005 after taking into consideration changes in foreign exchange for reporting purposes during the period under review.

The increase in revenue was principally attributable to the increase in volume of products sold and change in product mix.

The Group sold 960,000 tonnes of mid-width steel coils and 86,000 tonnes of steel billets in 9M2005 as compared to 591,000 tonnes of mid-width steel coils and 343,000 tonnes of steel billets in 9M2004. Overall sales volume increased by 112,000 tonnes or 12.0%. The average selling prices of the Group's products have also increased during the period under review as compared to the previous corresponding period. Steel billets price per tonne increased RMB 83 from RMB 2,497 in 9M2004 to RMB 2,580 in 9M2005; mid-width steel coil price per tonne increased RMB 306 from RMB 2,836 in 9M2004 to RMB 3,142 in 9M2005.

Cost of sales

Cost of sales increased by S$47.3 million or 9.7% from S$488.3 million in 9M2004 to S$535.6 million in 9M2005 in line with the increase in volume of products sold.

Gross profit

Gross profit increased by S$96.8 million or 216.4% from S$44.7 million in 9M2004 to S$141.5 million in 9M2005. Gross profit margin increased from 8.4% in 9M2004 to 20.9% in 9M2005. The higher gross profit margin was primarily due to the increase in revenue and change in product mix.

Other Operating Income

Other operating income increased by S$1.0 million or 33.3% from S$3.1 million in 9M2004 to S$4.1million in 9M2005 due to increase in interest income and rental income. There was also foreign exchange gain of S$0.4 million arising from the translation of inter-company balances by the subsidiary within the Group. The gain arose as a result of the strengthening of the RMB against Singapore dollar.

Distribution expenses

Distribution expenses increased by S$2.6 million from S$0.5 million in 9M2004 to S$3.1 million in 9M2005. Effective 1 January 2005, the Group commenced delivering its products to certain customers. Prior to 1 January 2005, all sales made by the Group were ex-factory.

Administrative expenses

Administrative expenses increased by S$4.7 million or 95.2% from S$4.9 million in 9M2004 to S$9.6 in 9M2005 due to increase in employee related costs and general administrative expenses in line with the increase in sales volume.

Operating Profit

Operating profit increased by S$90.9 million or 221.2% from S$41.1 million in 9M2004 to S$132.0 million in 9M2005 representing an operating profit margin of 7.7% in 9M2004 and 19.5% in 9M2005. The improvement in operating profit was primarily due to improvement in gross profit margin in 9M2005.

Exceptional items

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

Tax

Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of PRC, is entitled to a two-year full tax exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore, there is no tax expense for 9M2005.

Net profit

Net profit after tax and exceptional items increased by S$89.6 million or 371.0% from S$24.2 million in 9M2004 to S$113.8 million in 9M2005, representing a net profit margin of 4.5% in 9M2004 and 16.8% in 9M2005. Excluding the exceptional item as mentioned above, the net profit for 9M2005 would have been S$126.7 million, representing a net profit margin of 18.7%. The higher net profit margin was primarily attributable to the higher operating profit margin in 9M2005.

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

Current assets

Current assets decreased by S$51.5 million or 23.0% from S$223.2 million as at 31 December 2004 to S$171.7 million as at 30 September 2005. The decrease was primarily attributable to the decrease in cash and bank balances pledged of S$11.4 million, improvements in trade and other receivables of S$18.1 million and inventories of S$22.0 million respectively. The decrease was in line with the decrease in current liabilities.

As at 30 September 2005, approximately S$38.1 million or 82.0% of the Group's "trade and other receivables" comprised notes receivables from customers and pre-payments to vendors, S$8.4 million or 18.0% trade receivables and others.

Current liabilities

Current liabilities decreased by S$79.5 million or 22.7% from S$349.5 million as at 31 December 2004 to S$270.0 million as at 30 September 2005. The decrease was primarily attributable to the repayments of bank borrowings of S$53.0 million, notes payable of S$5.6 million, trade and other payables of S$13.9 million and tax of S$7.0 million.

Working capital

The Group's negative working capital position was reduced by S$27.9 million or 22.1% from S$126.3 million as at 31 December 2004 to S$98.4 million as at 30 September 2005. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance the purchase of plant and equipment in FY2004 and earlier. In addition, there were significant prepayments from customers recorded as current liabilities in the balance sheet.

In addition, the Group had satisfactorily maintained its credit facilities with financial institutions during the period under review and the credit facilities had constantly been renewed and/or rolled-over annually by the financial institutions.

Non current assets

Property, plant and equipment increased by S$127.2 million from S$193.1 million as at 31 December 2004 to S$320.3 million as at 30 September 2005. The increase was primarily due to the purchase of land, office building and construction in progress in relation to the improvement and upgrading of facilities at Delong Steel in Xingtai City to progressively increase the production capacity from 1.4 million tonnes per year currently. The upgrading activities commenced in May 2005 and are scheduled to fully complete in 4Q2006.

(c) Review of cash flow statement of the Group

3Q2005 vs 3Q2004

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S$8.0 million from S$25.8 million in 3Q2004 to S$33.8 million in 3Q2005. The increase was primarily due to increase in operating profit. Cash generated from operating activities also increased by S$15.1 million from S$15.3 million in 3Q2004 to S$30.4 million in 3Q2005. This was primarily due to an increase in payables and improvements in receivables and inventories. The increase was partially offset by the increase in bank balances pledged with banks.

Net Cash Used In Investing Activities

Net cash used for investing activities increased by S$44.2 million from S$6.2 million in 3Q2004 to S$50.4 million in 3Q2005. The increase was in line with the increase in non-current assets in relation to the capacity expansion works at Delong Steel.

Net Cash Used In Financing Activities

Net cash used in financing activities increased by S$1.5 million from S$1.3 million in 3Q2004 to S$2.8 million in 3Q2005. The increase was primarily due to repayment of bank borrowings during the period under review.

9M2005 vs 9M2004

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S$88.1 million from S$56.5 million in 9M2004 to S$144.6 million in 9M2005. The increase was primarily due to increase in operating profit. Cash generated from operating activities also increased by S$127.1 million from S$32.7 million in 9M2004 to S$159.8 million in 9M2005. The increase was primarily due to improvements in receivables and inventories. The increase was partially offset by the decrease in payables and increase in bank balances pledged with banks.

Net Cash Used In Investing Activities

Net cash used for investing activities increased by S$115.5 million from S$10.3 million in 9M2004 to S$125.8 million in 9M2005. The increase was in line with the increase in non-current assets in relation to the capacity expansion works at Delong Steel.

Net Cash Used In Financing Activities

Net cash used in financing activities increased by S$30.7 million from S$7.2 million in 9M2004 to S$37.9 million in 9M2005. This was primarily due to repayment of borrowings during the period under review. The increase was partially offset by the net proceeds from the share placement exercise which was completed in March 2005 amounting to S$20.4 million.

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

The Group's 3Q2005 results are in line with the commentary made under paragraph 10 of the Company's Second Quarter Financial Statement Announcement for the period ended 30 June 2005 released on 3 August 2005 as the 3Q2005 performance would remain profitable.

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

After a surge in global steel prices in the first half of FY2005 ("1H2005"), steel prices softened in the third quarter ("3Q2005"). This trend is expected to extend into the remaining months of the second half of 2005 ("2H2005").

a) Steel Demand

According to reports by the International Iron & Steel Institute, prospects for the industry will continue to be good. Demand will continue to rise globally, supported by China which is forecast to account for close to 30% of 2006 world demand.

The underlying demand for mid-width hot-rolled coils ("HRC"), the Company's principal product, is expected to be sustained in view of the large scale and long term infrastructure development plans outlined by the central government, which include expressway and railroad construction, as well as new township developments.

b) Technological Enhancement

Technological enhancements to the Company's sintering plant, blast furnace and oxygen generation plant are expected to complete ahead of schedule. Instead of concluding in 1Q2006, works will complete by the end of FY2005.

These enhancements and the accelerated completion date will bring about cost savings of about RMB 60 per tonne of steel produced, which are expected to contribute positively to the Group's financial performance from 1H2006.

The Group will continue to move ahead with another phase of technological enhancement to the blast furnace, converter furnace and HRC rolling mill. Along with other corporate initiatives, these enhancements will be integral in helping the Group maintain its edge in operating efficiency, where several indicators are currently outperforming state benchmarks.

c) Opportunistic Acquisitions

The management is exploring several target companies for acquisition within the steel and related industries. With successful opportunistic acquisitions, the Group will be able to expand its stake in the industry value chain, achieving economies of both scale and integration.

In view of the underlying demand for HRC, the advanced schedule of its technological enhancements and ongoing efforts to improve efficiency, the Company is confident that it will continue to remain profitable in 1H2006.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(C) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

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

The Board of Directors of the Company does not recommend that a dividend be paid for the 9M2005.

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

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

N.A

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

N.A

15. A breakdown of Sales

N.A

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

N.A.

BY ORDER OF THE BOARD

Ding Liguo
Executive Chairman