



德龙控股
DELONG HOLDINGS

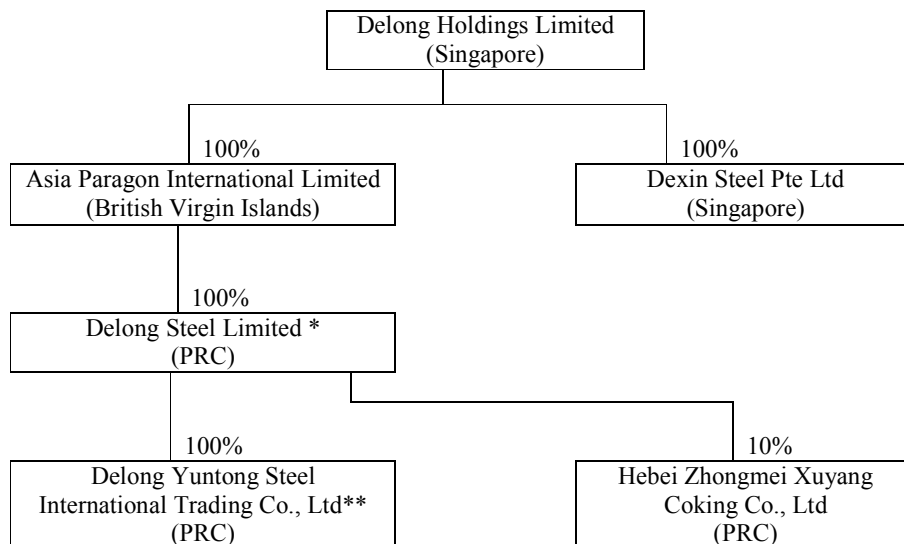
DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

Corporate Structure



* Effective 1 January 2005, Delong Steel Limited (“Delong Steel”), a wholly foreign-owned enterprise (“WFOE”) established under the laws of the People’s Republic of China (“PRC”), is entitled to a two-year full exemption followed by a three-year 50% tax deduction for PRC enterprise income tax commencing from the first year of taxable income (i.e. FY2005).

** Delong Yuntong Steel International Trading Co., Limited (“Delong Yuntong”), a local PRC enterprise, does not qualify for tax exemption status under Income Tax Law of the PRC. The Group had entered into a Sale and Purchase Agreement to divest Delong Yuntong on 7 February 2007. (Please refer to the SGXNET announcement dated 7 February 2007 for details)

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					
		4 th Quarter Ended		Increase	Year Ended		Increase
		31/12/2006	31/12/2005	(Decrease)	31/12/2006	31/12/2005	(Decrease)
Note		S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Sales	229,523	183,944	24.8	945,346	860,964	9.8
	Cost of sales	(192,444)	(172,045)	11.9	(788,014)	(707,599)	11.4
	Gross Profit	37,079	11,899	211.6	157,332	153,365	2.6
	Other gains/(losses)						
	-Miscellaneous	574	1,672	(65.7)	5,616	5,421	3.6
	-Exceptional items	-	-		-	(12,786)	n.m
	Expenses						
	-Distribution and marketing	(1,021)	(1,626)	(37.2)	(5,392)	(4,711)	14.5
	-Administrative	(5,574)	(4,855)	14.8	(18,685)	(14,463)	29.2
	-Finance	1,745	(1,042)	n.m	(5,977)	(6,525)	(8.4)
	-Others	(196)	(404)	(51.5)	(1,452)	(885)	64.1
	Profit before tax	32,607	5,644	477.7	131,442	119,416	10.1
	Income tax (expense)/credit	(241)	2,117	n.m	(216)	2,117	n.m
	Profit after tax	32,366	7,761	317.0	131,226	121,533	8.0

n.m: Not meaningful

Notes:-

1 Other miscellaneous gains:

	The Group			
	4 th Quarter Ended		Year Ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Sale of scrap materials	400	487	476	1,497
Government grants	-	803	2,033	2,419
Interest income	75	141	1,034	845
Rental income from investment property	99	99	396	322
Disposal of property, plant and equipment	-	-	952	-
Others	-	142	725	338
	574	1,672	5,616	5,421

2 **Exceptional items**

	The Group			
	4 th Quarter Ended		Year Ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Impairment of goodwill on the acquisition of the Company by Asia Paragon ("Acquisition")	-	-	-	11,941
Expenses relating to the Acquisition	-	-	-	845
	-	-	-	12,786

3. **Profit before taxation includes the following items:-**

	The Group			
	4 th Quarter Ended		Year Ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation and amortization	6,946	4,691	25,216	18,825
Staff costs	4,478	5,721	17,102	15,172
Operating lease rental	139	69	405	159

4. **Income Tax (expense)/Credit**

	The Group			
	4 th Quarter Ended		Year Ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Tax expense attributable to profit is made up of:				
Current income tax				
-Foreign *	47	-	(40)	-
-Local**	(288)	-	(288)	-
(Underprovision)/ Overprovision in preceding financial years				
-deferred income tax	-	-	140	-
-Income tax	-	2,117	(28)	2,117
	(241)	2,117	(216)	2,117

*This is related to PRC income tax at the rate of 33% for Delong Yuntong.

**This is related to provision for income tax for Singapore operations during the periods under review.

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

	The Group		The Company	
	S\$'000		S\$'000	
	As at 31/12/2006	As at 31/12/2005	As at 31/12/2006	As at 31/12/2005
Current Assets				
Cash and cash equivalents	37,274	15,279	2,756	9
Bank balances pledged	23,799	17,638	-	-
Trade and other receivables	62,391	48,634	81,687	27,125
Inventories	101,557	72,275	-	-
	225,021	153,826	84,443	27,134
Non-current assets				
Other receivables	-	-	14,515	14,507
Investments in subsidiaries	-	-	372,271	372,018
Available-for-sale financial assets	1,975	2,075	-	-
Investment property	3,330	3,399	-	-
Property, plant and equipment	534,434	356,048	86	93
	539,739	361,522	386,872	386,618
Total assets	764,760	515,348	471,315	413,752
Current liabilities				
Trade and other payables	229,426	143,246	2,196	1,138
Notes payables	31,600	20,793	-	-
Borrowings	164,300	100,615	2	-
Provision for current tax	7,356	21,569	8	7
	432,682	286,223	2,206	1,145
Non-current liabilities				
Borrowings	15,231	9,921	10	-
Deferred tax liabilities	-	140	-	3
	15,231	10,061	10	3
CAPITAL AND RESERVE:				
Share capital	67,404	58,377	404,048	265,001
Reserves	249,443	160,687	65,051	147,603
Total equity	316,847	219,064	469,099	412,604
Total liabilities and equity	764,760	515,348	471,315	413,752

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 31/12/2006		As at 31/12/2005	
Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
105,385	58,915	75,715	24,900

Amount repayable after one year

As at 31/12/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,663	10,568	4,164	5,757

Details of any collateral

The Group's borrowings are secured by the following:

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

* Borrowings amounting to S\$64,839,846 (31 December 2005: S\$24,900,000) 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			
	4 th Quarter Ended		Year Ended	
	31/12/2006 S\$'000	31/12/2005 S\$'000	31/12/2006 S\$'000	31/12/2005 S\$'000
Cash flows from operating activities:				
Profit after taxation	32,366	7,761	131,226	121,533
Adjustments for:				
Depreciation and amortisation	6,946	4,691	25,216	18,825
Impairment of goodwill	-	-	-	11,941
(Gain)/Loss on disposal of property, plant and equipment	-	-	(952)	8
Interest income	(75)	(141)	(1,034)	(845)
Interest expense	(1,745)	1,042	5,977	6,525
Income tax	241	(2,117)	216	(2,117)
	<u>5,367</u>	<u>3,475</u>	<u>29,423</u>	<u>34,337</u>
Operating cash flow before working capital changes	37,733	11,236	160,649	155,870
Bank balances pledged	26,672	14,014	(6,161)	8,232
Receivables	5,055	(2,136)	(13,758)	18,141
Inventories	(43,775)	(2,534)	(29,282)	19,435
Payables	58,885	9,936	79,060	(11,398)
	<u>46,837</u>	<u>19,280</u>	<u>29,859</u>	<u>34,410</u>
Cash generated from operating activities	84,570	30,516	190,508	190,280
Income tax refund /(paid)	69	(545)	(14,569)	(7,520)
Exchange differences	(1,776)	3,283	-	(2,890)
	<u>(1,707)</u>	<u>2,738</u>	<u>(14,569)</u>	<u>(10,410)</u>
Net cash generated from operating activities	82,863	33,254	175,939	179,870
Cash flows from investing activities:				
Payment for property, plant and equipment	(71,688)	(44,572)	(191,234)	(170,882)
Proceeds from disposal of property, plant and equipment	-	-	952	71
Interest received	75	141	1,034	845
Net cash flow on acquisition of subsidiary	-	-	-	442
Net cash used in investing activities	(71,613)	(44,431)	(189,248)	(169,524)
Cash flows from financing activities:				
Proceeds from borrowings	41,830	55,393	175,871	103,715
Repayment of borrowings	(31,724)	(51,680)	(106,877)	(131,501)
(Decrease)/Increase in amount due to a related party	-	-	-	(22,156)
Proceeds from warrants conversion	-	-	380	-
Proceeds from share placement	-	-	-	21,074
Expenses for share placement	-	-	-	(718)
Dividend paid	(7,961)	-	(23,879)	-
Interest paid	(2,470)	(1,042)	(10,191)	(6,525)
Net cash generated from/(used in) financing activities	(325)	2,671	35,304	(36,111)
Net increase/(decrease) in cash and cash equivalents	10,925	(8,506)	21,995	(25,765)
Cash and cash equivalents at beginning of the period	26,349	23,785	15,279	41,044
Cash and cash equivalents at end of the period	37,274	15,279	37,274	15,279

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

The Group

	Share capital	Share premium	Translation reserves	Statutory reserves	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2006	58,377	8,648	2,378	15,374	134,287	219,064
Issue of shares pursuant to exercise of warrants	183	-	-	-	-	183
Transfer from/ (to)^	8,648	(8,648)	-	-	-	-
Currency translation differences	-	-	(6,689)	-	-	(6,689)
Net profit for the period	-	-	-	-	14,957	14,957
Balance as at 31 March 2006	67,208	-	(4,311)	15,374	149,244	227,515
Issue of shares pursuant to exercise of warrants	148	-	-	-	-	148
Currency translation differences	-	-	(982)	-	-	(982)
Dividend paid	-	-	-	-	(7,957)	(7,957)
Net profit for the period	-	-	-	-	46,099	46,099
Balance as at 30 June 2006	67,356	-	(5,293)	15,374	187,386	264,823
Issue of shares pursuant to exercise of warrants	48	-	-	-	-	48
Currency translation differences	-	-	1,644	-	-	1,644
Dividend paid	-	-	-	-	(7,961)	(7,961)
Net profit for the period	-	-	-	-	37,804	37,804
Balance as at 30 September 2006	67,404	-	(3,649)	15,374	217,229	296,358
Currency translation differences	-	-	(3,916)	-	-	(3,916)
Dividend paid	-	-	-	-	(7,961)	(7,961)
Net profit for the period	-	-	-	-	32,366	32,366
Transfer from retained earnings to statutory reserve	-	-	-	13,170	(13,170)	-
Balance as at 31 December 2006	67,404	-	(7,565)	28,544*	228,464	316,847
Balance as at 1 January 2005						
As previously reported	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	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
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
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
Currency translation differences	-	-	(2,167)	-	-	(2,167)
Net profit for the period	-	-	-	-	7,761	7,761
Transfer from retained earnings to statutory reserve	-	-	-	12,514	(12,514)	-
Balance as at 31 December 2005	58,377	8,648	2,378	15,374	134,287	219,064

The Company

	Share capital S\$'000	Share premium S\$'000	Retained earnings S\$'000	Total S\$'000
Balance as at 1 January 2006	265,001	138,668	8,935	412,604
Issue of shares pursuant to exercise of warrants	183	-	-	183
Transfer from/ (to)^	138,668	(138,668)	-	-
Net loss for the period	-	-	(529)	(529)
Balance as at 31 March 2006	403,852	-	8,406	412,258
Issue of shares pursuant to exercise of warrants	148	-	-	148
Dividend paid	-	-	(7,957)	(7,957)
Net loss for the period	-	-	(401)	(401)
Balance as at 30 June 2006	404,000	-	48	404,048
Issue of shares pursuant to exercise of warrants	48	-	-	48
Dividend paid	-	-	(7,961)	(7,961)
Net loss for the period	-	-	(355)	(355)
Balance as at 30 September 2006	404,048	-	(8,268)	395,780
Dividend paid	-	-	(7,961)	(7,961)
Net profit for the period	-	-	81,280	81,280
Balance as at 31 December 2006	404,048	-	65,051	469,099
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
Net loss for the period	-	-	(675)	(675)
Balance as at 30 June 2005	265,001	138,668	(17,281)	386,388
Net loss for the period	-	-	(462)	(462)
Balance as at 30 September 2005	265,001	138,668	(17,743)	385,926
Net loss for the period	-	-	26,678	26,678
Balance as at 31 December 2005	265,001	138,668	8,935	412,604

Notes:-

* This represents the net profit of Delong Steel transferred to statutory reserve for year ended 31 December 2004, 31 December 2005 and 31 December 2006, respectively. The articles of association require that the principal subsidiary in the PRC to provide for certain statutory funds, namely reserve fund and staff and workers' bonus and welfare fund, which are appropriated from net profit after tax but before dividend distribution. These funds are created for specific purposes and appropriations to these funds are at the discretion of the PRC's subsidiary's Board of Directors.

** less than S\$1,000.

^ In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorised share capital were abolished and shares of the company ceased to have a par value. The amount in the share premium account as at 30 January 2006 had become part of the company's share capital.

- 1(d)(ii) **Details of any changes in the Company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities , issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Changes in the Share Capital of the Company for 4th Quarter Ended	31/12/2006	31/12/2005
Number of ordinary shares at 1 Oct	5,307,591,250	5,300,005,500
Shares arising from exercise of warrants	-	-
Number of ordinary shares at 31 December	5,307,591,250	5,300,005,500

Outstanding Warrants as at	31/12/2006	31/12/2005
Outstanding warrants that are convertible into ordinary shares	48,158,735	55,744,485

No ordinary shares were issued pursuant to the exercise of warrants in 4Q2006.

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 2005, except where revised accounting standards became effective from this financial year.

The adoption of the following revised Financial Reporting Standards (“FRS”) does not have any significant impact on the Group’s financial results:

FRS32- Financial Instruments: Disclosures and Presentation
 FRS 39- Financial Instruments: Recognition and Measurement
 FRS 21- The Effects of Changes in Foreign Exchange Rates

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			
	4 th Quarter Ended		Year Ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Net profit for the period	32,366	7,761	131,226	121,533
Basic earnings per share (in cents)	0.61	0.15	2.47	2.31
Diluted earnings per share (in cents)	0.61	0.15	2.46	2.30
Weighted average no. of shares outstanding for basic earnings per share	5,307,591,250	5,300,005,500	5,305,313,680	5,257,055,515
Weighted average no. of shares outstanding for diluted earnings per share	5,336,584,618	5,330,864,054	5,334,580,710	5,288,832,056

Explanatory Notes:

Basic earnings per share is calculated based on the weighted average number of shares in issue during the periods 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 31December.

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	
	31/12/2006	30/12/2005	31/12/2006	31/12/2005
Net Asset Value per share (cents)	5.97	4.13	8.84	7.78

Net asset value per share for the Group and Company is calculated based on 5,307,591,250 ordinary shares in issue at the end of the financial period under review and 5,300,005,500 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2005.

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

Sales by the Group were primarily conducted in RMB and to eliminate the effect of the significant change in the exchange rates between S\$ and RMB during the corresponding periods, the explanatory notes under this Section will be based on financial numbers in RMB.

4Q2006 vs 4Q2005

Revenue

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

<i>Revenue</i>	RMB'000		S\$'000	
	4Q2006	4Q2005	4Q2006	4Q2005
Manufacture and Sale	1,106,717	842,116	215,422	170,854
Trading	73,849	62,961	14,101	13,090
<i>Total</i>	<i>1,180,566</i>	<i>905,077</i>	<i>229,523</i>	<i>183,944</i>

<i>Cost of Sales</i>				
Manufacture and Sale	919,577	781,603	179,068	159,156
Trading	70,131	61,998	13,376	12,889
<i>Total</i>	<i>989,708</i>	<i>843,601</i>	<i>192,444</i>	<i>172,045</i>

<i>Gross Profit</i>				
Manufacture and Sale	187,140	60,513	36,354	11,698
Trading	3,718	963	725	201
<i>Total</i>	<i>190,858</i>	<i>61,476</i>	<i>37,079</i>	<i>11,899</i>

<i>Gross Profit margin</i>	4Q2006	4Q2005
	<u>%</u>	<u>%</u>
Manufacture and Sale	16.9	7.2
Trading	5.0	1.5

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment increased by RMB 264.6 million or 31.4% from RMB 842.1 million in 4Q2005 to RMB 1.1067 billion in 4Q2006. The increase in revenue was principally attributed to the increase in quantity of products sold and the significant increase in the average selling prices of the products during the period under review as compared with the previous corresponding period.

In 4Q2006 the Group sold 347,000 tonnes of hot-rolled steel coils and 69,000 tonnes of steel billets as compared to 347,000 tonnes of hot-rolled steel coils and 5,000 tonnes of steel billets in 4Q2005. Overall sales quantity increased by 64,000 tonnes or 18.2%.

Trading

The Group's Trading business segment increased by RMB10.8 million or 17.1% from RMB63.0 million in 4Q2005 to RMB 73.8 million in 4Q2006. The Group's Trading business segment contributed 6.3% of the Group's total revenue in 4Q2006.

Cost of sales

Manufacture and Sale

Cost of sales increased by RMB138.0 million or 17.7% from RMB 781.6 million in 4Q2005 to RMB 919.6 million in 4Q2006 and was in line with the increase in revenue due to increased capacity, but the average cost of sales per tonne of product sold remained relatively consistent as compared with previous corresponding period.

Trading

Cost of sales increased by RMB8.1 million or 13.1% from RMB 62.0 million in 4Q2005 to RMB 70.1 million in 4Q2006. Cost of sales for the Trading business accounted for 7.1% of the Group's total cost of sales in 4Q2006.

Gross profit

Manufacture and Sale

Gross profit increased by RMB126.6 million or 209.3% from RMB 60.5 million in 4Q2005 to RMB 187.1 million in 4Q2006.

Gross profit margin increased by 9.7 percentage points from 7.2% in 4Q2005 to 16.9% in 4Q2006. The higher gross profit margin was due to the significant increase in average selling prices of the Group's products and average cost of sales per tonne remained relatively constant.

Trading

Gross profit margin from the Trading business was comparatively lower at approximately 5.0% as such trading businesses involved minimal value-add to the products. This resulted in lower gross profit margin for the Group in 4Q2006.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB 2.6 million or 32.9% from RMB7.9 million in 4Q2005 to RMB 5.3 million in 4Q2006 due to certain sales made by the Group were on ex-factory basis.

Administrative expenses

Administrative expenses increased by RMB 4.9 million or 20.8% from RMB23.6 million in 4Q2005 to RMB28.5 million in 4Q2006 due mainly to the increase in employee welfare expenses as the Group raised its level of compliance with the applicable welfare requirements.

Finance costs

The finance costs was a credit primarily due to the capitalization of a portion of interest expense amounting to RMB13.8 million pertaining to construction- in- progress in relation to a technological enhancement programme.

Net profit

Net profit after tax of the Group increased by RMB 125.7 million or 308.8% from RMB40.7 million in 4Q2005 to RMB166.4 million in 4Q2006, representing a net profit margin of 4.5% in 4Q2005 and 14.1% in 4Q2006, respectively. The increase in net profit margin was primarily attributable to the higher operating profit margin from its Manufacture and Sale business segment in 4Q2006. Excluding Trading business, the Manufacture and Sale business (i.e. HRC business) achieved a net profit margin of 15.4% in 4Q2006 against 4.2% in 4Q2005.

FY2006 vs FY2005

Revenue

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

<i>Revenue</i>	RMB'000		SS'000	
	FY2006	FY2005	FY2006	FY2005
Manufacture and Sale	4,258,782	4,078,274	843,323	847,874
Trading	515,216	62,961	102,023	13,090
<i>Total</i>	<i>4,773,998</i>	<i>4,141,235</i>	<i>945,346</i>	<i>860,964</i>

<i>Cost of Sales</i>				
Manufacture and Sale	3,476,743	3,341,553	688,464	694,710
Trading	502,726	61,998	99,550	12,889
<i>Total</i>	<i>3,979,469</i>	<i>3,403,551</i>	<i>788,014</i>	<i>707,599</i>

<i>Gross profit</i>				
Manufacture and Sale	782,039	736,721	154,859	153,164
Trading	12,490	963	2,473	201
<i>Total</i>	<i>794,529</i>	<i>737,684</i>	<i>157,332</i>	<i>153,365</i>

<i>Gross profit margin</i>	FY2006	FY2005
	%	%
Manufacture and Sale	18.4	18.1
Trading	2.4	1.5

Note: The average exchange rates between SS and RMB for FY2005 and FY2006 were SS1: RMB4.81 and SS1: RMB5.05 respectively. (Source: The Business Times, Singapore)

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment increased by RMB 180.5 million or 4.4% from RMB 4.0783 billion in FY2005 to RMB 4.2588 billion in FY2006. The increase in revenue was principally attributable to the increase in quantity of products sold despite the decrease in the average selling prices of the products in FY2006 as compared to FY2005.

In FY2006 the Group sold 1,430,900 tonnes of hot-rolled steel coils and 142,000 tonnes of steel billets as compared to 1,307,000 tonnes of hot-rolled steel coils and 91,000 tonnes of steel billets in FY2005. Overall sales volume increased by 174,900 tonnes or 12.5%. The Group also sold 101,700 tonnes of pig iron in FY2006.

Trading

The Group's Trading business segment increased significantly by RMB452.2 million or 717.8% from RMB63.0 million in FY2005 to RMB 515.2 million in FY2006. The Group actively increased its trading activities in FY2006. The Group's Trading business segment contributed 10.8% of the Group's total revenue in FY2006.

Cost of sales

Manufacture and Sale

Cost of sales increased by RMB 135.1 million or 4.0% from RMB 3.3416 billion in FY2005 to RMB 3.4767 billion in FY2006 and was in line with the increase in revenue.

Trading

Cost of sales increased by RMB440.7 million or 710.8% from RMB 62.0 million in FY2005 to RMB 502.7 million in FY2006 and was in line with the increase in trading activities. Cost of sales for the Trading business accounted for 12.6% of the Group's total cost of sales in FY2006.

Gross profit

The Group's gross profit increased by RMB56.8 million or 7.7% from RMB737.7 million in FY2005 to RMB794.5 million in FY2006. The Group's gross profit margin decreased from 17.8% in FY2005 to 16.6% in FY2006 principally due to increased Trading revenue which has much lower gross margin of 2.4%.

The gross profit margin of the Manufacture and Sale business segment was relatively consistent as compared to that of FY2005. Gross profit margin of the Manufacture and Sale business segment was 18.4% in FY2006 compared with 18.1% in FY2005.

Gross profit margin from the Trading business was comparatively lower at approximately 2.4% as such trading businesses involved minimal value-add to the products. This resulted in lower gross profit margin for the Group.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB4.5 million or 19.8% from RMB22.7 million in FY2005 to RMB 27.2 million in FY2006 due to increase in distribution-related expenses as a result of higher sales quantity.

Administrative expenses

Administrative expenses increased by RMB24.8 million or 35.6% from RMB69.6 million in FY2005 to RMB94.4 million in FY2006 due mainly to the higher personnel expenses incurred, reflecting the hiring of additional administrative staff as well as the higher salary levels in FY2006. This was in line with the expansion of the Group's operations. The increase was also partly due to the increase in employee welfare expenses as the Group raised its level of compliance with the applicable welfare requirements.

Finance costs

Finance costs decreased by RMB1.2 million or 3.8% from RMB31.4 million in FY2005 to RMB30.2 million in FY2006. The decrease was primarily due to the capitalization of a portion of interest expense amounting to RMB21.3 million pertaining to construction-in-progress in relation to the technological enhancement programme. The Group capitalized that portion of its interest costs which were directly attributable to the construction of production assets which required a prolonged period to complete for their intended use.

Other operating expenses

Other operating expenses increased by RMB3.0 million or 69.8% from RMB4.3 million in FY2005 to RMB7.3 million in FY2006, mainly due to foreign exchange loss arising from the inter-company transactions by the subsidiaries within the Group. The losses arose as a result of the weakening of the RMB relative to Singapore Dollar.

Net profit

Net profit after tax of the Group increased by RMB78.1 million or 13.4% to RMB662.7 million in FY2006 from RMB584.6 million in FY2005. The net profit increase in FY2006 compared to FY2005 was achieved despite exceptionally high selling prices achieved in 1Q2005. The net profit margin of 13.9% for FY2006 was relatively consistent with that of 14.1% for FY2005. Excluding Trading business, the Manufacture and Sale business (i.e. HRC business) achieved a net profit margin of 15.6% in FY2006 compared to 16.1% in FY2005. The net profit margin in FY2006 would have been higher had it not been for an exceptionally weak quarter in 1Q2006 when the average selling price was the lowest during the period between 1 January 2005 to 31 December 2006. Prices since then have risen before stabilizing from August 2006.

(b) Review of balance sheet of the Group as at 31 December 2006

Current assets

Current assets increased by S\$71.2 million or 46.3% from S\$153.8 million as at 31 December 2005 to S\$225.0 million as at 31 December 2006. The increase was primarily attributable to the increase in cash and cash equivalents from operating activities, bank balances pledged with banks as securities for notes payable and increase in inventories, notes receivables as well as prepayments to vendors. The increase was in line with the increase in activities in FY2006.

As at 31 December 2006, of the S\$62.4 million of the Group's "trade and other receivables", approximately S\$45.8 million or 73.4% comprised notes receivable from customers and pre-payments to vendors and approximately S\$1.8 million or 2.9% comprised trade receivables.

Current liabilities

Current liabilities increased by S\$146.5 million or 51.2% from S\$286.2 million as at 31 December 2005 to S\$432.7 million as at 31 December 2006. The increase was primarily attributable to the increase in short-term borrowings, notes payable and advance payment from customers (other payables) which were in line with the increase in activities in FY2006. The increase was partially offset by the decrease in tax.

Working capital

The Group had negative working capital position of S\$132.4 million and S\$207.7 million as at 31 December 2005 and 31 December 2006, respectively. The Group's negative working capital position was mainly due to the use of short-term bank loans and cash generated from operating activities to finance the technological enhancements at Delong Steel in Xingtai City in FY2005 and FY2006. In addition, pre-payments from customers amounting to S\$90.0 million were recorded as current liabilities in the balance sheet.

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 increased by S\$178.4 million or 50.1% from S\$356.0 million as at 31 December 2005 to S\$534.4 million as at 31 December 2006. The increase was primarily due to the construction in progress in relation to the technological enhancement programme at Delong Steel. The Phase 2 of technological enhancement programme was completed in December 2006.

(c) Review of cash flow statement of the Group

4Q2006 vs 4Q2005

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased significantly by S\$26.5 million or 236.6% from S\$11.2 million in 4Q2005 to S\$37.7 million in 4Q2006. The increase was primarily due to increase in operating profit. Net cash generated for operating activities increased by S\$49.6 million or 148.9% from S\$33.3 million in FY2005 to S\$82.9 million in FY2006, attributable mainly to the increase in payables and decrease in bank balances pledged. The cash generated from operating activities was partially offset by the increase in inventories.

The decrease in bank balances pledged was attributable to the decrease in notes payable in 4Q2006 while the increase in inventories and trade payables were due to the increased purchase of raw materials during winter months.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$71.6 million in 4Q2006. This was principally payment for construction in progress in relation to the technological enhancement programme.

Net Cash Used in Financing Activities

Net cash inflow used in financing activities was S\$0.3 million in 4Q2006. This was mainly attributable the principal and interest repayments of bank borrowings of S\$31.7 million and dividend payment of S\$8.0 million in November 2006. This was partially offset by the drawdown of short-term bank loans of S\$41.8 million.

FY2006 vs FY2005

Net Cash Generated From Operating Activities

Operating cash flow before working capital changes increased by S\$4.7 million or 3.0% from S\$155.9 million in FY2005 to S\$160.6 million in FY2006. The increase was primarily due to increase in operating profit. Cash generated from operating activities was relatively constant at S\$190.5 million in FY2006. The slight increase in cash generated from operating activities was attributed mainly to the increase in trade payables. This was partially offset by the increase in inventories, notes receivables and bank balances pledged with banks.

The increase in trade payables and inventories were due to the increased purchase of raw materials during winter months while the increase in notes receivables was in line with the higher revenue in FY2006.

After taking into consideration net cash used for working capital and income tax paid amounting to S\$14.6 million, the net cash inflow from operating activities was S\$175.9 million in FY2006.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$189.2 million in FY2006. The increase was in line with the increase in non-current assets as a result of technological enhancement programme.

Net Cash Generated From Financing Activities

Net cash inflow from financing activities was S\$35.3 million in FY2006. This was mainly attributable to the rollover and drawdown of short-term loans of S\$175.9 million to support the technological enhancement programme and the proceeds from the conversion of warrants of S\$0.4 million. This was partially offset by the repayments of principal and interest for bank borrowings of S\$106.9 million and total dividend payments of approximately S\$23.9 million in May 2006, August 2006 and November 2006.

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

Since August 2006, the prices of the Group's hot-rolled coils ("HRC") have remained stable except for a marginal dip in the month of November 2006, in line with seasonal decline during winter months coinciding with 4Q2006 when costs of raw materials were also traditionally marginally higher.

Since January 2007 prices of HRC have risen marginally from the levels in 4Q2006.

The Group had on 15 December 2006 commissioned its new HRC production line to raise its yearly production capacity to 2.4 million tonnes, representing an increase of 50% in FY2007 compared to FY2006. The second line, located at its facility in Xingtai City in Hebei Province, produces HRC of higher-grade specifications, larger width of up to 1100 mm and thinner gauge of 1.8 mm as compared to the first line.

Further to the commissioning of the new line, the Group had on February 2007 embarked on its Phase 3 of technological enhancements to increase its HRC production capacity at Xingtai by another 25% to 3.0 million tonnes by 4Q2007.

In view of the production capacity increase of 50% kicking in from the start of FY2007, and of higher average prices expected for higher-grade products rolling out from its second production line, the Group expects its financial performance in 1Q2007 to be sequentially better than that achieved in 4Q2006 and that its performance in FY2007 will be significantly better than that of FY2006. Net profit margins in FY2007 are expected to remain stable relative to levels achieved in FY2006.

The Group has also embarked on three environmental conversation projects costing a total of RMB386 million with payback periods of between three to four years. Upon their scheduled completion, the Group's facilities in Xingtai not only will comply with the PRC Government's policy on "zero emissions" but will contribute to earnings through cost savings in water and energy consumption and recovery of sludge waste for re-use as construction material.

The Group continues to be on the lookout for merger and acquisition opportunities available as a result of the ongoing consolidation of the steel industry in the PRC.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

The Board of Directors has proposed a first and final 1-tier tax-exempt dividend of 1.5 cents per ordinary share in relation to the financial year ended 31 December 2006.

Name of Dividend:	First and Final
Dividend Type:	Cash
Dividend per share:	1.5 cents
Total estimated dividend payout:	S\$79.6 million

The total payout represents approximately 60.7% of the Group's net profit for FY2006.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

The first and final 1-tier tax-exempt dividend of 0.45 cent per ordinary share for the financial year ended 31 December 2005 was approved at Annual General Meeting on 12 April 2006, totaling S\$23.9 million, which was paid in three equal tranches in May 2006, August 2006 and November 2006.

(C) Date payable and Book Closure Date

Subject to the requisite approvals from shareholders at the annual general meeting of the Company ("AGM") scheduled on 19 April 2007, the first and final dividend of 1.50 cents per ordinary share will be paid in two tranches. The books closure date and date payable are as follows:-

	Dividend per share	Book Closure Date	Date payable
First payment	0.60 cent	26 April 2007	15 May 2007
Second payment	0.90 cent	To be announced in 2H2007	

Duly completed transfers in respect of shares in the capital of the Company together with all relevant documents of title received by the Company's share registrar, B.A.C.S Pte Ltd, 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 25 April 2007 will be registered to determine members' entitlements to the proposed Dividends. Members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. 25 April 2007 will be entitled to the proposed Dividends.

Holders of the warrants are reminded that only warrants exercised (in accordance with the terms and conditions of the warrants) by 5.00 p.m. on 25 April 2007 will be considered for the purpose of determining members' entitlements to the proposed Dividends.

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

Not applicable.

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.**

By Business Segmentation –FY2006

In FY2006, the Group was organized into two main business segments:

- Manufacture and Sale of hot-rolled steel coils; and
- Trading of iron ores.

	Manufacturing S\$'000	Trading S\$'000	Other S\$'000	Total S\$'000
REVENUE				
External Sales	843,323	102,023	-	945,346
Inter –segment sales	-	40,154	60	40,214
	<u>843,323</u>	<u>142,177</u>	<u>60</u>	<u>985,560</u>
Elimination				<u>(40,214)</u>
				<u>945,346</u>
SEGMENT RESULTS				
Segment result	137,436	1,826	(1,843)	137,419
Finance costs				<u>(5,977)</u>
Profit before tax				<u>131,442</u>
Tax expense				<u>(216)</u>
Profit after tax				<u>131,226</u>

Note: Other operation of the Group represents investment holding. It does not constitute a separate reportable segment.

OTHER INFORMATION

Capital expenditure	<u>191,219</u>	<u>-</u>	<u>15</u>	<u>191,234</u>
Depreciation	25,127	68	21	25,216
Gain on disposal of property, plant and equipment	<u>952</u>	<u>-</u>	<u>-</u>	<u>952</u>

SEGMENT ASSETS	Manufacturing S\$'000	Trading S\$'000	Other S\$'000	Elimination S\$'000	Total S\$'000
Segment assets	742,491	20,701	17,445	(15,877)	764,760
Total assets	<u>742,491</u>	<u>20,701</u>	<u>17,445</u>	<u>(15,877)</u>	<u>764,760</u>
SEGMENT LIABILITIES					
Segment liabilities	450,220	4,005	2,209	(15,877)	440,557
Unallocated liabilities					7,356
Total liabilities	<u>450,220</u>	<u>4,005</u>	<u>2,209</u>	<u>(15,877)</u>	<u>447,913</u>

By Business Segmentation –FY2005

The Group was mainly operating in one single business segment i.e. the production and sale of steel billets and hot rolled coils. No other business segment had contributed more than 10% of the Group's consolidated sales.

By Geographical Segmentation-FY2005 and FY2006

The Group's operations are mainly carried out in the PRC. No other regional has contributed more than 10% of the Group's consolidated sales and assets. Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

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

Please refer to Section 8.

15. A breakdown of Sales

	FY2006	FY2005	Increase/ (Decrease)
	S\$'000	S\$'000	%
Sales reported for first half year	471,869	461,618	2.2
Profit after exceptional items and tax Reported for the first half year	61,056	86,607	(29.5)
Sales reported for second half year	473,477	399,346	18.6
Profit after exceptional items and tax reported for the second half year	70,170	34,926	100.9

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

	The Company	
	FY2006 S\$'000	FY2005 S\$'000
Ordinary	79,600	23,883
Preference	-	-
Total	79,600	23,883

BY ORDER OF THE BOARD

Ding Ligu
Executive Chairman

