



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2010

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 first quarter ended 31 March 2010 to be false or misleading in any material respect.

On behalf of the Board of Directors

Mr. Ding Liguo
Chairman

Mr. Zuo Shuowen
Executive Director

Singapore
13 May 2010

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

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

		The Group		
		1 st Quarter Ended		Increase
		31/03/2010	31/03/2009	(Decrease)
Note		RMB'000	RMB'000	%
		1,999,398	1,599,364	25.0
		(1,883,318)	(1,523,325)	23.6
		116,080	76,039	52.7
		<hr/>		
		9,928	14,438	(31.2)
		26,710	(3,133)	N.M
		<hr/>		
		(1,416)	(752)	88.3
		(30,285)	(32,761)	(7.6)
		(64,032)	(57,010)	12.3
		<hr/>		
		172	-	100.0
		<hr/>		
		57,157	(3,179)	NM
		(15,146)	(2,366)	540.2
		42,011	(5,545)	NM
		<hr/>		
		Other comprehensive income/ (loss):		
		Financial assets, available-for-sale		
		-	1,358	(100.0)
		-	214	(100.0)
		(1,261)	(1,058)	19.3
		<hr/>		
		(1,261)	514	NM
		<hr/>		
		40,750	(5,031)	NM
		<hr/>		

NM: not meaningful

Notes:-

1 Other income:

	The Group	
	1 st Quarter Ended	
	31/03/2010	31/03/2009
	RMB'000	RMB'000
Finance lease income	3,682	6,783
Interest income	5,718	7,161
Rental income from investment property	528	494
	9,928	14,438

2 Other gains/(losses)-net:

	The Group	
	1 st Quarter Ended	
	31/03/2010	31/03/2009
	RMB'000	RMB'000
Loss on disposal of financial assets, available-for-sale	-	(146)
Fair value gain- financial assets at fair value through profit and loss	56	196
Currency translation gain/ (loss)-net ¹	2,301	(3,684)
Fair value gain on convertible bonds ²	7,729	-
Fair value gain on convertible shares ³	13,365	-
Loss on disposal of property, plant and equipment	(684)	(83)
Others	3,943	584
	26,710	(3,133)

¹The currency translation gain was mainly due to the revaluation of bank balances denominated in AUD which were strengthened against RMB in 1Q2010.

²The gain was due to the quarterly revaluation of derivatives embedded to the convertible bonds.

³The gain was due to the quarterly revaluation of derivatives embedded to the convertible shares.

3. Profit before taxation includes the following items:-

	The Group	
	1 st Quarter Ended	
	31/03/2010	31/03/2009
	RMB'000	RMB'000
Depreciation and amortization	94,497	90,700
Staff and wages	36,678	34,023
Operating lease rental	196	189

4. Income Tax Expense

	The Group	
	1 st Quarter Ended	
	31/03/2010	31/03/2009
	RMB'000	RMB'000
Tax expense attributable to result is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	14,256	1,327
Deferred income tax	890	946
-Underprovision in preceding financial years		
Current income tax	-	93
	<u>15,146</u>	<u>2,366</u>

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

	Note	The Group RMB '000		The Company RMB '000	
		As at 31/03/2010	As at 31/12/2009	As at 31/03/2010	As at 31/12/2009
Current Assets					
Cash and cash equivalents		350,829	290,113	125,311	125,752
Bank balances pledged		793,008	685,745	-	-
Financial assets, at fair value through profit and loss	1	1,020	964	1,020	964
Trade and other receivables	2	422,004	244,550	164	79
Inventories	3	1,377,194	1,084,595	-	-
Other current assets	4	318,721	332,672	152	97
		3,262,776	2,638,639	126,647	126,892
Non-current assets					
Trade and other receivables	5	234,318	218,380	1,161,305	1,161,175
Investments in subsidiaries		-	-	1,884,916	1,884,916
Investment in joint venture	6	20,272	20,100	-	-
Financial assets, available-for-sale	7	52,359	52,359	42,359	42,359
Investment property		15,093	15,103	-	-
Property, plant and equipment		3,255,629	3,321,347	17	22
Deferred income tax assets		36,544	37,434	-	-
		3,614,215	3,664,723	3,088,597	3,088,472
Total assets		6,876,991	6,303,362	3,215,244	3,215,364
Current liabilities					
Trade and other payables	8	1,806,588	1,456,924	8,677	9,004
Notes payables		469,292	448,000	-	-
Borrowings		1,118,824	924,237	23	26
Convertible bonds	9	120,528	117,401	120,528	117,401
Current income tax liabilities		14,958	3,147	-	-
		3,530,190	2,949,709	129,228	126,431
Non-current liabilities					
Borrowings		414,605	464,839	-	-
Convertible bonds	9	649,516	641,646	649,516	641,646
Convertible shares		133,917	167,602	133,917	167,602
Deferred income tax liabilities		22,889	22,889	-	-
		1,220,927	1,296,976	783,433	809,248
CAPITAL AND RESERVE					
Share capital		381,744	353,297	2,087,580	2,059,133
Reserves		1,744,130	1,703,380	215,003	220,552
Total equity		2,125,874	2,056,677	2,302,583	2,279,685
Total liabilities and equity		6,876,991	6,303,362	3,215,244	3,215,364

Notes:-

1. *This represents investment in equity securities listed on the Stock Exchange of Hong Kong (“SEHK”).*

2. *Trade and other receivables - current*

	The Group	
	31/03/2010	31/12/2009
	RMB'000	RMB'000
Finance lease receivables	23,673	34,925
Trade receivables	74,190	31,662
Notes receivable	324,141	177,963
	<u>422,004</u>	<u>244,550</u>

The increase in trade and notes receivables was in line with the increase in revenue in 1Q2010.

As at 31 March 2010, 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. *Inventories*

	The Group	
	31/03/2010	31/12/2009
	RMB'000	RMB'000
Raw materials	960,004	722,787
Work-in-progress	157,564	130,206
Finished goods	131,264	95,763
Production supplies	128,362	135,839
	<u>1,377,194</u>	<u>1,084,595</u>

The increase in inventories was due to the increased purchase of raw materials in anticipation of higher prices and production in FY2010 amid the recovery of the global economy, which in turn requires high raw material stock to be maintained.

4. *Other current assets*

	The Group	
	31/03/2010	31/12/2009
	RMB'000	RMB'000
Deposits	56	783
Prepayments	231,504	231,264
Other	87,161	100,625
	<u>318,721</u>	<u>332,672</u>

Prepayments relate to deposits and advance payments made to suppliers for the purchase of raw materials. These prepayments are to be offset against the purchases of the Company when the goods are ready for collection.

Other comprises VAT and other indirect taxes receivable.

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

	The Group	
	31/03/2010 RMB'000	31/12/2009 RMB'000
Finance lease receivables*	210,846	194,908
Due from an investee company	23,472	23,472
	234,318	218,380

**The increase was due to the reclassification of a portion of current finance lease receivable to non-current finance lease receivables.*

6. *The investment represents a 20% shareholding in Bohai Steel Alliance Co., Ltd (“Bohai Steel”).*

7. *The investment represents a 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd. and unquoted options in CFE, a company listed on the Australian Securities Exchange.*

8. *Trade and other payables*

	The Group	
	31/03/2010 RMB'000	31/12/2009 RMB'000
Trade payables to:		
- Third parties	844,044	745,677
VAT and other taxes payable	-	26,183
Payable to contractors for construction-in-progress	59,590	78,283
Advances from customers	822,356	504,125
Other accrual for operating expenses	3,033	5,811
Staff and workers’ bonus and welfare fund	20,947	32,656
Deposits from tenant	529	526
Deposits from staff and workers	886	11,873
Due to directors (non-trade)	6,503	3,793
Deferred income	13,091	13,511
Other payables	35,609	34,486
	1,806,588	1,456,924

The increase in trade payables was in line with the increase in inventories.

Advance from customers represent prepayments made by customers. These advance payments are to be offset against the purchases of customers when goods are ready for collection. The increase was in line with the increase in revenue.

9. *Convertible bonds*

The convertible bonds are presented on the balance sheet as follows:

	<u>Group and Company</u>	
	<u>31/03/2010</u>	<u>31/12/2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>
<u>Current</u>		
Convertible Bonds (Restricted)	120,528	117,401
<u>Non-current</u>		
Convertible Bonds	137,158	136,007
Convertible Bonds (Restricted)	495,798	480,806
Derivatives liability-Convertible Bonds	16,560	24,833
	<u>649,516</u>	<u>641,646</u>

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 31/03/2010	As at 31/12/2009
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Secured	Unsecured*	Secured	Unsecured*
RMB'000	RMB'000	RMB'000	RMB'000
552,232	687,120	666,652	380,242

Amount repayable after one year

As at 31/03/2010	As at 31/12/2009
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Secured	Unsecured*	Secured	Unsecured*
RMB'000	RMB'000	RMB'000	RMB'000
379,658	818,380	455,357	834,794

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 RMB417,293,700 (2009:RMB 315,038,800) 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	
	1 st Quarter Ended	
	31/03/2010	31/03/2009
	RMB '000	RMB'000
Cash flows from operating activities:		
Profit/(Loss) after income tax	42,011	(5,545)
Adjustments for:		
Income tax expense	15,146	2,366
Depreciation	94,497	90,700
Loss on disposal of property, plant and equipment	684	83
Loss on disposal of financial assets, available-for-sale	-	146
Fair value gain- financial assets at fair value through profit and loss	(56)	(196)
Fair value gain on convertible bonds	(7,729)	-
Fair value gain on convertible shares	(13,365)	-
Exchange loss on convertible shares	2,877	-
Interest income	(5,718)	(7,161)
Interest expense	64,032	57,010
Share of profit of associated company	(172)	-
Unrealised currency translation (gain)/losses	(1,262)	-
	148,934	142,948
Operating cash flow before working capital changes	190,945	137,403
Bank balances pledged	(107,263)	58,810
Receivables	(167,895)	(151,687)
Inventories	(292,599)	(170,545)
Payables	359,410	(147,152)
	(208,347)	(410,574)
Cash used in operating activities	(17,402)	(273,171)
Income tax paid	(2,444)	(2,614)
Net cash used in operating activities	(19,846)	(275,785)
Cash flows from investing activities:		
Payments for property, plant and equipment	(29,452)	(34,592)
Proceeds from disposal of property, plant and equipment	-	379
Proceeds from disposal of Financial assets, available for sale	-	287
Investment in joint venture	-	(20,000)
Interest received	5,718	7,161
Net cash used in investing activities	(23,734)	(46,765)
Cash flows from financing activities:		
Proceeds from borrowings	754,684	777,973
Repayment of borrowings	(610,331)	(624,580)
Interest paid	(40,057)	(35,505)
Net cash provided by financing activities	104,296	117,888
Net increase/(decrease) in cash and cash equivalents	60,716	(204,662)
Cash and cash equivalents at beginning of the period	290,113	676,399
Cash and cash equivalents at end of the period	350,829	471,737

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	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 2010	353,297	249,218	21,320	7,695	141,072	1,284,075	2,056,677
Issue of shares pursuant to exercise of convertible bonds and convertible shares	28,447	-	-	-	-	-	28,447
Total comprehensive income/(loss) for the period	-	-	-	(1,261)	-	42,011	40,750
Balance as at 31 March 2010	381,744	249,218	21,320	6,434	141,072	1,326,086	2,125,874

The Group	Share capital	Capital reserve	Fair value reserve	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

<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 2010	2,059,133	249,218	21,320	(49,986)	2,279,685
Issue of shares pursuant to exercise of convertible bonds and convertible shares	28,447	-	-	-	28,447
Total comprehensive income/(loss) for the period	-	-	-	(5,549)	(5,549)
Balance as at 31 March 2010	2,087,580	249,218	21,320	(55,535)	2,302,583

<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

- 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 1st Quarter Ended	31/03/2010	31/03/2009
Number of ordinary shares as at 1 January	535,478,498	535,478,498
Shares arising from conversion of convertible shares	6,271,726	-
Shares arising from conversion of convertible bonds	793,897	-
Number of ordinary shares as at 31 March	542,544,121	535,478,498

Convertible Bonds as at	31/03/2010	31/03/2009
Number of shares that maybe issued on conversion of all outstanding convertible bonds	34,247,973	-
Convertible Shares as at	31/03/2010	31/03/2009
Number of shares that maybe issued on conversion of all outstanding convertible shares	37,262,732	-

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

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 not been reviewed or audited by our auditors.

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

Not Applicable

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 2009.

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	
	1 st Quarter Ended	
	31/03/2010	31/03/2009
	RMB'000	RMB'000
Net profit /(loss)for the period	42,011	(5,545)
Basic earnings/(losses) per share (in RMB)	0.08	(0.01)
Diluted earnings/(losses) per share (in RMB)	0.04	(0.01)
Weighted average no. of shares outstanding for basic earnings per share	540,975,957	535,478,498
Weighted average no. of shares outstanding for diluted earnings per share	612,486,660	535,478,498

Explanatory Notes:

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

Diluted earnings/(losses) 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 all dilutive potential ordinary shares, e.g., convertible shares and convertible bonds.

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	
	31/03/2010	31/12/2009	31/03/2010	31/12/2009
Net Asset Value per share (RMB)	3.92	3.84	4.24	4.25

Net asset value per share for the Group and Company is calculated based on 542,544,121 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 2009.

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

1Q2010 vs 1Q2009

Revenue

Revenue increased by RMB400.0 million or 25.0% from RMB1.60 billion in 1Q2009 to RMB2.00 billion in 1Q2010. The increase in revenue was principally attributed to the increase in the sales volume arising from improved demand of Hot Rolled Coils ("HRC") in PRC on increased fixed assets spending and also the increase in the average selling prices of HRC in 1Q2010 as compared to 1Q2009.

In 1Q2010 the Group sold 590,000 tonnes of Hot Rolled Coils ("HRC") and 9,350 tonnes of steel billets as well as 611 tonnes of roller mill as compared to 536,640 tonnes of HRC and 11,490 tonnes of steel billets in 1Q2009. Overall sales quantity increased by 51,831 tonnes or 9.5%.

Cost of sales

Cost of sales increased by RMB360 million or 23.6% from RMB 1.52 billion in 1Q2009 to RMB1.88 billion in 1Q2010. The increase was in line with the increase in the volume of HRC sold and the increase in raw material prices in 1Q2010 compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB40.1 million or 52.7% from RMB 76.0 million in 1Q2009 to RMB116.1 million in 1Q2010.

Gross profit margin increased from 4.8% in 1Q2009 to 5.8% in 1Q2010 primarily due to the increase in the average selling prices of HRC sold which outpaced the increase in raw materials prices.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB 0.6 million from RMB0.8 million in 1Q2009 to 1.4 million in 1Q2010. The increase in distribution expenses was in line with the higher sales quantity.

Administrative expenses

Administrative expenses decreased by RMB2.5 million from RMB 32.8 million in 1Q2009 to RMB30.3 million in 1Q2010. The decrease was due to the decrease in general administrative expenses as a result of cost control measures put in place during the period under review.

Finance expenses

Finance expenses increased by RMB7.0 million from RMB 57.0 million in 1Q2009 to RMB 64.0 million in 1Q2010. The increase was mainly due to the increase in bank borrowings drawdown for working capital purposes in 1Q2010 as compared to previous corresponding period.

Net profit

Reflecting the increase in the sales volume arising from the stronger demand of HRC in PRC as well as the increase in the average selling prices of HRC in 1Q2010, the Group posted a net profit after tax of RMB 42.0 million in 1Q2010 compared to the net loss after tax of RMB 5.5 million in 1Q2009. The net profit margin was 2.1% in 1Q2010.

Excluding the gain of RMB 21.1 million arising from the revaluation of convertible bonds and convertible shares, the net profit after tax would have been RMB 20.9 million, representing a net profit margin of 1.0% in 1Q2010.

(b) Review of balance sheet of the Group as at 31 March 2010

Current assets

Current assets increased by RMB 620.0 million from RMB 2.64 billion as at 31 December 2009 to RMB 3.26 billion as at 31 March 2010. The increase was primarily attributable to the increase in cash and cash equivalent and bank balances pledged with banks as securities for bank borrowings and notes payable as well as the increase in inventories and notes receivable which were in line with the increase in revenue.

The increase in inventories was mainly due to the increased purchase of raw materials in anticipation of higher raw material prices and higher production in FY2010.

Current liabilities

Current liabilities increased by RMB 580.0 million from RMB 2.95 billion as at 31 December 2009 to RMB 3.53 billion as at 31 March 2010. The increase was primarily attributable to the increase in bank borrowings drawn down for working capital purposes. The increase in trade payables was due to higher raw material prices in 1Q2010 as well as increased purchase of raw materials in anticipation of higher production in FY2010. The increase was also due to increase in advance payment received from customers.

Working capital

The Group had improved its negative working capital position by RMB43.7 million from RMB311.1 million as at 31 December 2009 to RMB267.4 million as at 31 March 2010. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure and working capital purposes.

Although the Group is in negative working capital position, it is able to service all of its debts obligations primarily through cash inflow from operations.

As at 31 March 2010, 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

Non current assets decreased by RMB50.0 million from RMB3.66 billion as at 31 December 2009 to RMB3.61 billion as at 31 March 2010. The decrease was mainly due to decrease in Property, plant and equipment from RMB3.32 billion as at 31 December 2009 to RMB3.25 billion as at 31 March 2010 primarily due to the depreciation on property, plant and equipment for the period under review.

The increase in depreciation on property, plant and equipment was partially offset by the capital expenditure incurred on the construction of the mill roll plant at Xingtai Delong Machinery and Mill Roll Co., Ltd (“Xingtai Delong”).

(c) Review of cash flow statement of the Group

1Q2010 vs 1Q2009

Net Cash Used In Operating Activities

Operating cashflow before working capital changes increased by RMB53.5 million from RMB137.4 million in 1Q2009 to RMB190.9 million in 1Q2010. The increase was primarily due to the increase in operating profit. Cash used in working capital was RMB208.3 million in 1Q2010, attributable mainly to the increase in inventories and notes receivables during the period under review as well as increase in bank balances pledged as securities for bank borrowings and notes payable. The cash used for working capital was partially offset by the increase in trade payables and advance payments from customers.

The increase in inventories was mainly due to the increased purchase of raw materials in line with the higher production in 1Q2010 while the increase in notes receivables was in line with the increase in trade activities in 1Q2010.

After taking into consideration cash used for working capital and income tax paid of RMB2.4 million, the net cash used in operating activities was RMB 19.8 million in 1Q2010.

Net Cash Used In Investing Activities

Net cash used in investing activities was RMB 23.7 million in 1Q2010. This comprised principally payment for construction in relation to the mill roll plant at Xingtai Delong.

Net Cash Generated from Financing Activities

Net cash generated from financing activities was RMB104.3 million in 1Q2010. This was mainly attributable to the drawdown of short-term loans of RMB754.7 million for working capital less principal and interest repayments of RMB 650.4 million.

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

The 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

Bolstered by a RMB 4 trillion government-injected stimulus package, the PRC economy continued to register strong expansion in 1Q2010, achieving a year-on-year GDP growth of 11.9%.

As a supplier of steel materials to the domestic end-markets of the infrastructure, pipe and machinery fabrication, the Group has continued to benefit from a progressively buoyant market environment and improving economic fundamentals.

Backed by increased fixed asset and consumer spending, the Group achieved total revenue of RMB 2.0 billion in 1Q2010 as compared to RMB 1.6 billion in 1Q2009, which in turn lifted net profit after tax to RMB 42.0 million from the net loss after tax in 1Q2009. Both revenue and net profit were better than that in 1Q2009.

In the immediate term, however, rising raw material prices are expected to impact steelmakers' performance in FY2010.

While the iron ore price negotiations between the PRC major steel manufacturers and the major global iron ore miners have not been finalized, certain steel millers in Japan, Korea as well as PRC have agreed to accept a 90% increase in price for the contract year starting 1 April 2010. The continued delay in the agreement of an indicative price for the year ahead will continue to bring about volatility in raw materials prices and may result in margin pressures for PRC steel manufacturers.

Also, oversupply pressures will continue across the industry. According to the National Bureau of Statistics, the Chinese steel industry produced 587.6 million tonnes of crude steel in 2009, up 13.5% from 2008. The China Iron & Steel Association further estimates that in 2010, the PRC's steel output will reach 600 million tonnes.

Looking forward, the Group's strategy will continue to focus on (i) cost containment measures; (ii) sales efforts to capitalise on current market demand for steel and steel-related products; and (iii) optimising of product mix to maximise the production of higher-margin specialised steel products.

Delong will also continue to employ a combination of long term contracts and spot contracts to hedge its raw material prices. However, it is expected the price differential between the two sources will narrow in FY2010.

Increased bank lending in 2009 and early 2010 have aggravated concerns of excessive market liquidity and rising asset prices, resulting in the People's Bank of China raising bank reserve requirement ratios for the third time this year and adopting other measures to control the pace of domestic lending.

Management anticipates that the Chinese credit market will remain tight over the near term. However, it has successfully maintained existing secured and unsecured credit facilities with various domestic and foreign financial institutions.

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 first quarter 31 March 2010.

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 Ligu
Executive Chairman