



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

## UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 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.**

	Note	The Group					
		4 <sup>th</sup> Quarter Ended		Increase	Year Ended		Increase
		31/12/2010	31/12/2009	(Decrease)	31/12/2010	31/12/2009	(Decrease)
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Sales</b>		2,641,253	2,085,591	26.6	9,925,242	7,695,326	29.0
Cost of sales		(2,472,528)	(1,851,665)	33.5	(9,214,785)*	(7,009,703)	31.5
<b>Gross Profit</b>		<b>168,725</b>	<b>233,926</b>	<b>(27.9)</b>	<b>710,457</b>	<b>685,623</b>	<b>3.6</b>
Other Income	1	15,004	12,881	16.5	39,236	42,537	(7.8)
Other gains-net	2	36,513	357,360	(89.8)	78,600	377,556	(79.2)
<b>Expenses</b>							
-Distribution and marketing		(1,961)	(1,671)	17.4	(10,630)	(4,644)	128.9
-Administrative		(31,615)	(39,325)	(19.6)	(151,040)	(149,330)	1.1
-Finance		(62,462)	(37,461)	66.7	(225,515)	(223,314)	1.0
Share of (loss)/ profit of associated company		(312)	100	nm	(140)	100	nm
<b>Profit before tax</b>	3	123,892	525,810	(76.4)	440,968	728,528	(39.5)
Income tax expense	4	(28,046)	(25,465)	10.1	(135,734)	(59,705)	127.3
<b>Net Profit</b>		<b>95,846</b>	<b>500,345</b>	<b>(80.8)</b>	<b>305,234</b>	<b>668,823</b>	<b>(54.4)</b>
<b>Other comprehensive income/ (loss):</b>							
<b>Gains/(losses) recognized directly in equity</b>							
Financial assets, available-for-sale							
-Fair value (losses)/ gains		13,485	32,756		-	33,306	
-Reclassification to profit or loss		-	(11,436)		-	11,095	
Currency translation differences		(988)	(7,380)		(15,628)	(3,718)	
<b>Other comprehensive income for the period, net of tax</b>		<b>12,497</b>	<b>13,940</b>		<b>(15,628)</b>	<b>40,683</b>	
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>108,343</b>	<b>514,285</b>		<b>289,606</b>	<b>709,506</b>	

NM: not meaningful

\*Cost of sales includes an impairment charge of RMB40,985,000 on property, plant and equipment in respect of the mill roll production facilities in Xingtai Delong.

Xingtai Delong Machinery and Mill Roll Co., Ltd. ("Xingtai Delong"), a wholly-owned subsidiary of the Group, has been loss-making since it started operating in 2008 and has not achieved full production capacity in FY2010. During the financial year, the Group carried out an impairment review in respect of the mill roll production facilities in Xingtai Delong. As a result, an impairment charge of RMB 40,985,000 on property, plant and equipment was recognized and included in cost of sales.

**Notes:-**

**1 Other Income**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	510	6,500	510	6,500
Finance lease income	4,671	2,777	15,807	15,926
Interest income	9,214	3,074	20,682	18,062
Rental income from investment property	609	530	2,237	2,049
	15,004	12,881	39,236	42,537

**2 Other gains-net**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/gain on disposal of financial assets, available-for-sale	(2,449)	152	(6,925)	(1,208)
Gain on disposal of financial assets at fair value through profit or loss	23	338	23	1,308
Fair value gain/(loss)- financial assets at fair value through profit or loss	(138)	14,153	(367)	214
Currency translation gain-net	(990)	6,168	11,931	41,130
Gain on change in fair value of convertible bonds <sup>1</sup>	6,470	11,369	11,920	11,369
Gain on change in fair value of convertible shares <sup>2</sup>	8,168	49,929	20,205	49,929
Gain on restructuring of convertible bonds	-	272,298	-	272,298
Gain on early redemption of convertible bonds	21,930		34,663	-
Loss on disposal of property, plant and equipment	-	(511)	-	(1,965)
Others	3,499	3,464	7,150	4,481
	36,513	357,360	78,600	377,556

<sup>1</sup>The gain was due to the revaluation of derivatives embedded to the convertible bonds.

<sup>2</sup>The gain was due to the revaluation of derivatives embedded to the convertible shares.

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

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization	93,586	42,694	343,401	361,023
Staff and wages	73,224	41,961	186,573	159,531
Operating lease rental	217	180	826	712

**4. Income Tax Expense**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense /(credit)				
-Singapore	98	-	98	-
-Foreign	30,464	18,429	136,755	37,131
Deferred income tax	(2,518)	6,997	(1,293)	22,417
Underprovision in preceding financial years				
-Current income tax	2	39	174	157
	<u>28,046</u>	<u>25,465</u>	<u>135,734</u>	<u>59,705</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 31/12/2010	As at 31/12/2009	As at 31/12/2010	As at 31/12/2009
<b>Current Assets</b>					
Cash and cash equivalents		509,728	290,113	53,659	125,752
Bank balances pledged		507,361	685,745	-	-
Financial assets, at fair value through profit and loss		1,204	964	1,204	964
Trade and other receivables	1	458,434	244,550	13	79
Inventories	2	1,262,405	1,084,595	-	-
Other current assets	3	367,443	332,672	4,334	97
		<b>3,106,575</b>	<b>2,638,639</b>	<b>59,210</b>	<b>126,892</b>
<b>Non-current assets</b>					
Trade and other receivables	4	127,774	218,380	650,589	1,161,175
Investments in subsidiaries		-	-	1,884,916	1,884,916
Investment in joint venture	5	-	20,100	-	-
Financial assets, available-for-sale	6	20,000	52,359	-	42,359
Investment property		15,611	15,103	-	-
Property, plant and equipment		3,038,279	3,321,347	74	22
Deferred income tax assets		38,727	37,434	-	-
		<b>3,240,391</b>	<b>3,664,723</b>	<b>2,535,579</b>	<b>3,088,472</b>
<b>Total assets</b>		<b>6,346,966</b>	<b>6,303,362</b>	<b>2,594,789</b>	<b>3,215,364</b>
<b>Current liabilities</b>					
Trade and other payables	7	1,571,870	1,456,924	12,286	9,004
Notes payables		807,716	448,000	-	-
Borrowings		1,146,435	924,237	10	26
Convertible bonds	8	-	117,401	-	117,401
Current income tax liabilities		54,524	3,147	98	-
		<b>3,580,545</b>	<b>2,949,709</b>	<b>12,394</b>	<b>126,431</b>
<b>Non-current liabilities</b>					
Borrowings		71,825	464,839	61	-
Convertible bonds	8	153,986	641,646	153,986	641,646
Convertible shares		121,224	167,602	121,224	167,602
Deferred income tax liabilities		22,889	22,889	-	-
		<b>369,924</b>	<b>1,296,976</b>	<b>275,271</b>	<b>809,248</b>
<b>CAPITAL AND RESERVE</b>					
Share capital		403,511	353,297	2,109,347	2,059,133
Reserves		1,992,986	1,703,380	197,777	220,552
Total equity		<b>2,396,497</b>	<b>2,056,677</b>	<b>2,307,124</b>	<b>2,279,685</b>
Total liabilities and equity		<b>6,346,966</b>	<b>6,303,362</b>	<b>2,594,789</b>	<b>3,215,364</b>

**Notes:**

1. *Trade and other receivables - current*

	The Group	
	31/12/2010	31/12/2009
	RMB'000	RMB'000
Finance lease receivables	60,516	34,925
Trade receivables	71,185	31,662
Due from an investee company	26,247	-
Notes receivable	300,486	177,963
	<u>458,434</u>	<u>244,550</u>

The increase in trade and notes receivables was in line with the increase in revenue in 4Q2010.

As at 31 December 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.

2. *Inventories*

	The Group	
	31/12/2010	31/12/2009
	RMB'000	RMB'000
Raw materials	954,059	722,787
Work-in-progress	86,106	130,206
Finished goods	115,248	95,763
Production supplies	106,992	135,839
	<u>1,262,405</u>	<u>1,084,595</u>

The increase in inventories was due to the higher raw material inventory towards the end of FY2010 as the Company increased purchases of raw materials in anticipation of additional price increases in raw materials in FY2011.

3. *Other current assets*

	The Group	
	31/12/2010	31/12/2009
	RMB'000	RMB'000
Deposits	58	783
Prepayments	291,474	231,264
Other	75,911	100,625
	<u>367,443</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.

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

	The Group	
	31/12/2010 RMB'000	31/12/2009 RMB'000
Finance lease receivables	127,774	194,908
Due from an investee company	-	23,472
	127,774	218,380

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

*Beijing Bohai Steel’s principal activity was intended to be the import and export of raw materials used in the manufacture of steel products, finished steel products and related technologies. However, due to its failure to obtain the necessary business licences and permits, Bohai Steel was unable to fulfill its business purpose, and is currently in the process of being liquidated.*

*The paid up capital of RMB 20,000,000 contributed by Delong Steel Limited to Beijing Bohai Steel was refunded to Delong Steel Limited in 2Q2010.*

*The announcement on the de-registration will be issued in due course.*

6. *The investments comprise a 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd and a 8.62% equity stake in Tianjin United Mercantile Exchange Co., Ltd ( “Tianjin United”). The investment of RMB10.0 million in Tianjin United was made during the financial year under review. The principal activity of Tianjin United is the Futures Trading Exchange in commodities. ( 2009: Investment in Hebei Zhongmei Xiuyang Coking CO., Ltd and quoted shares in CFE, a company listed on the Australian Securities Exchange)*

7. *Trade and other payables*

	The Group	
	31/12/2010 RMB'000	31/12/2009 RMB'000
Trade payables to:		
- Third parties	675,080	745,677
VAT and other taxes payable	54,491	26,183
Payable to contractors for construction-in-progress	59,590	78,283
Advances from customers	674,865	504,125
Other accrual for operating expenses	2,645	5,811
Staff and workers’ bonus and welfare fund	56,904	32,656
Deposits from tenant	564	526
Deposits from staff and workers	978	11,873
Due to directors (non-trade)	5,049	3,793
Deferred income	11,842	13,511
Other payables	29,862	34,486
	1,571,870	1,456,924

*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.*

8. *Convertible bonds*

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

	<u>Group and Company</u>	
	<u>31/12/2010</u>	<u>31/12/2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>
<u>Current</u>		
Convertible Bonds (Restricted)	-	117,401
<u>Non-current</u>		
Convertible Bonds	141,616	136,007
Convertible Bonds (Restricted)	-	480,806
Derivatives liability-Convertible Bonds	12,370	24,833
	<u>153,986</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 31/12/2010	As at 31/12/2009
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
694,202	452,233	666,652	374,986

**Amount repayable after one year**

As at 31/12/2010	As at 31/12/2009
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
47,414	299,621	455,357	818,730

**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 RMB872,148,400 (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			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2010 RMB '000	31/12/2009 RMB '000	31/12/2010 RMB '000	31/12/2009 RMB '000
<b>Cash flows from operating activities:</b>				
Profit after income tax	95,846	500,345	305,234	668,823
Adjustments for:				
Depreciation	93,586	42,694	343,401	361,023
Impairment charge on property, plant and equipment	-	-	40,985	-
Loss on disposal of property, plant and equipment	-	511	-	1,965
Fair value loss on financial assets, fair value through profit or loss	172	(14,153)	401	(214)
Gain on disposal of financial assets, fair value through profit or loss	(23)	(338)	(23)	(1,308)
Loss on disposal of financial assets, available-for-sale	2,449	(152)	6,925	1,208
Loss/ (gain) on change in fair value of convertible bonds	(6,470)	(11,369)	(11,920)	(11,369)
Loss/ (gain) on change in fair value convertible shares	(8,168)	(49,929)	(20,205)	(49,929)
Exchange loss on convertible shares	2,580	(2,290)	9,409	(2,290)
Gain from bonds restructuring	-	(272,298)	-	(272,298)
Gain on early redemption of convertible bonds	(21,930)	-	(34,663)	-
Interest income	(9,214)	(3,074)	(20,682)	(18,062)
Interest expense	62,462	36,764	225,515	196,044
Income tax expense	28,046	25,465	135,734	59,705
Share of profit of associated company	312	(100)	140	(100)
Unrealised currency translation gain	(8,355)	(49,668)	(24,550)	(63,500)
	135,447	(297,937)	650,467	200,875
<b>Operating cash flow before working capital changes</b>	231,293	202,408	955,701	869,698
Bank balances pledged	(228,315)	(37,105)	178,384	(46,956)
Receivables	(31,833)	50,940	(158,090)	(335,674)
Inventories	(323,487)	(185,722)	(163,113)	(412,239)
Payables	468,749	119,885	474,662	(54,084)
	(114,886)	(52,002)	331,843	(848,953)
<b>Cash provided by operating activities</b>	116,407	150,406	1,287,544	20,745
Income tax paid	(34,884)	(3,065)	(85,650)	(8,768)
<b>Net cash provided by operating activities</b>	81,523	147,341	1,201,894	11,977
<b>Cash flows from investing activities:</b>				
Payments for property, plant and equipment	-	-	(115,678)	(161,753)
Proceeds from disposal of property, plant and equipment	-	-	-	3,822
Proceeds from disposal of financial assets, available for sale	68,265	-	78,534	22,992
Proceeds from disposal of financial assets, at fair value through profit and loss	690	395	690	5,377
Purchase of financial assets, fair value through profit and loss	-	-	(1,308)	-
Purchase of financial assets, available for sale	-	-	(10,000)	-
Payment for conversion of CFE shares	-	-	(54,815)	-
Dividend received from financial assets, available for sale	-	-	11,665	-
Refund of paid-up capital from joint venture	-	-	20,000	-
Investment in joint venture	-	-	-	(20,000)
Interest received	9,214	3,074	20,682	18,062
<b>Net cash provided by/ (used in) investing activities</b>	78,169	3,469	(50,230)	(131,500)
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	473,482	208,064	2,675,531	2,723,085
Repayment of borrowings	(528,382)	(257,989)	(2,846,468)	(2,720,779)
Redemption of convertible bonds	(309,200)	(204,900)	(586,000)	(204,900)
Bonds Restructuring expenses	-	(22,017)	-	(22,017)
Interest paid	(62,217)	(14,028)	(183,362)	(101,722)
<b>Net cash used in financing activities</b>	(426,317)	(290,870)	(940,299)	(326,333)

Net (decrease)/ increase in cash and cash equivalents	(266,625)	(140,060)	211,365	(445,856)
Cash and cash equivalents at beginning of the period	768,103	370,603	290,113	676,399
Effect of currency translation on cash and cash equivalents	8,250	59,570	8,250	59,570
<b>Cash and cash equivalents at end of the period</b>	<b>509,728</b>	<b>290,113</b>	<b>509,728</b>	<b>290,113</b>

**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 RMB '000	Capital reserve RMB '000	Fair Value reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000
<b>Balance as at 1 January 2010</b>	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
<b>Balance as at 31 March 2010</b>	381,744	249,218	21,320	6,434	141,072	1,326,086	2,125,874
Issue of shares pursuant to exercise of convertible bonds and convertible shares	1,329	-	-	-	-	-	1,329
Total comprehensive income/(loss) for the period	-	-	(30,267)	1,895	-	124,648	96,276
<b>Balance as at 30 June 2010</b>	383,073	249,218	(8,947)	8,329	141,072	1,450,734	2,223,479
Issue of shares pursuant to exercise of convertible bonds and convertible shares	20,438	-	-	-	-	-	20,438
Total comprehensive income/(loss) for the period	-	-	16,782	(15,274)	-	42,729	44,237
<b>Balance as at 30 September 2010</b>	403,511	249,218	7,835	(6,945)	141,072	1,493,463	2,288,154
Total comprehensive income/(loss) for the period	-	-	13,485	(988)	-	95,846	108,343
<b>Balance as at 31 December 2010</b>	403,511	249,218	21,320	(7,933)	141,072	1,589,309	2,396,497

The Group	Share capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Currency translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000
<b>Balance as at 1 January 2009</b>	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)
<b>Balance as at 31 March 2009</b>	353,297	249,218	(21,509)	10,355	141,072	609,707	1,342,140
Total comprehensive income/(loss) for the period	-	-	21,509	(1,679)	-	34,894	54,724
<b>Balance as at 30 June 2009</b>	353,297	249,218	-	8,676	141,072	644,601	1,396,864
Total comprehensive income for the period	-	-	-	6,399	-	139,129	145,528
<b>Balance as at 30 September 2009</b>	353,297	249,218	-	15,075	141,072	783,730	1,542,392
Total comprehensive income/(loss) for the period	-	-	21,320	(7,380)	-	500,345	514,285
<b>Balance as at 31 December 2009</b>	353,297	249,218	21,320	7,695	141,072	1,284,075	2,056,677

<u>The Company</u>	Share capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Retained earnings RMB '000	Total RMB '000
<b>Balance as at 1 January 2010</b>	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 loss for the period	-	-	-	(5,549)	(5,549)
<b>Balance as at 31 March 2010</b>	2,087,580	249,218	21,320	(55,535)	2,302,583
Issue of shares pursuant to exercise of convertible bonds and convertible shares	1,329	-	-	-	1,329
Total comprehensive loss for the period	-	-	(30,267)	(17,413)	(47,680)
<b>Balance as at 30 June 2010</b>	2,088,909	249,218	(8,947)	(72,948)	2,256,232
Issue of shares pursuant to exercise of convertible bonds and convertible shares	20,438	-	-	-	20,438
Total comprehensive income/ (loss) for the period	-	-	16,782	(18,221)	(1,439)
<b>Balance as at 30 September 2010</b>	2,109,347	249,218	7,835	(91,169)	2,275,231
Total comprehensive income for the period	-	-	13,485	18,408	31,893
<b>Balance as at 31 December 2010</b>	2,109,347	249,218	21,320	(72,761)	2,307,124

<u>The Company</u>	Share capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Retained earnings RMB '000	Total RMB '000
<b>Balance as at 1 January 2009</b>	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)
<b>Balance as at 31 March 2009</b>	2,059,133	249,218	(21,509)	(343,161)	1,943,681
Total comprehensive income/(loss) for the period	-	-	21,509	(19,589)	1,920
<b>Balance as at 30 June 2009</b>	2,059,133	249,218	-	(362,750)	1,945,601
Total comprehensive loss for the period	-	-	-	(17,818)	(17,818)
<b>Balance as at 30 September 2009</b>	2,059,133	249,218	-	(380,568)	1,927,783
Total comprehensive income for the period	-	-	21,320	330,582	351,902
<b>Balance as at 31 December 2009</b>	2,059,133	249,218	21,320	(49,986)	2,279,685

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

<b>Changes in the Share Capital of the Company for 4<sup>th</sup> Quarter Ended</b>	31/12/2010	31/12/2009
Number of ordinary shares as at 1 Oct	549,853,930	535,478,498
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 31 December	549,853,930	535,478,498

<b>Convertible Bonds as at</b>	31/12/2010	31/12/2009
Number of shares that maybe issued on conversion of all outstanding convertible bonds	34,247,973	35,039,735
<b>Convertible Shares as at</b>	31/12/2010	31/12/2009
Number of shares that maybe issued on conversion of all outstanding convertible shares	29,952,293	43,534,458

**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 auditor.

**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			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	95,846	500,345	305,234	668,823
Basic earnings per share (in RMB )	0.17	0.93	0.56	1.25
Diluted earnings per share (in RMB)	0.16	0.92	0.51	1.12
Weighted average no. of shares outstanding for basic earnings per share	549,853,930	535,478,498	544,278,733	535,478,498
Weighted average no. of shares outstanding for diluted earnings per share	614,054,823	543,228,381	608,479,620	543,228,381

**Explanatory Notes:**

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

Diluted earnings per share is calculated based on the weighted average number of shares in issue during the period under review after adjusting to include the dilutive effect of 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	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Net Asset Value per share (RMB)	4.36	3.84	4.20	4.26

Net asset value per share for the Group and Company is calculated based on 549,853,930 ordinary shares in issue at the end of the financial year 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**

**4Q2010 vs 4Q2009**

**Revenue**

Revenue increased from RMB2.08 billion in 4Q2009 to RMB2.64 billion in 4Q2010 representing an increase of RMB 560.0 million or 26.6%. The increase in revenue was principally attributed to an increase in the average selling prices of Hot Rolled Coils ("HRC"), despite a decrease in the volume of products sold in 4Q2010 as compared to previous corresponding period.

In 4Q2010 the Group sold 653,220 tonnes of HRC and 3,417 tonnes of steel billets as compared to 678,886 tonnes of HRC and 8,639 tonnes of steel billets in 4Q2009. Overall sales quantity decreased by 30,888 tonnes or 4.5%.

The increase in revenue was also due to the increase in volume of mill rolls sold by 946 tonnes from 716 tonnes in 4Q2009 to 1,662 tonnes in 4Q2010. Revenue from mill rolls accounted for approximately 0.61% of the Group's revenue in 4Q2010.

**Cost of sales**

Cost of sales increased by RMB620.0 million or 33.5% from RMB 1.85 billion in 4Q2009 to RMB2.47 billion in 4Q2010. The increase was primarily due to the increase in the purchase price of raw material, such as iron ore and coke for 4Q2010 as compared to the previous corresponding period.

**Gross profit**

Gross profit decreased by RMB65.2 million or 27.9% from RMB233.9 million in 4Q2009 to RMB168.7 million in 4Q2010.

Gross profit margin decreased from 11.2% in 4Q2009 to 6.4% in 4Q2010 primarily due to the increase in raw materials prices which outpaced the average selling prices of HRC sold.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB 0.3 million from RMB1.7 million in 4Q2009 to RMB2.0 million in 4Q2010 primarily due to an increase in distribution-related expenses resulting from additional promotional activities during the period under review.

**Administrative expenses**

Administrative expenses decreased by RMB7.7 million from RMB 39.3 million in 4Q2009 to RMB31.6 million in 4Q2010. The decrease was primarily due to the decrease in general administrative expenses e.g., legal and professional fees, entertainment etc.

## **Finance expenses**

Finance expenses increased by RMB25.0 million from RMB 37.5 million in 4Q2009 to RMB 62.5 million in 4Q2010. The increase was primarily due to the higher interest rates on borrowings as well as the increase in bank borrowings drawdown for working capital purposes in 4Q2010.

## **Net profit**

Net profit after tax decreased by RMB 404.5 million or 80.8% from RMB500.3 million in 4Q2009 to RMB 95.8 million in 4Q2010. This represented a net profit margin of 3.6% in 4Q2010 compared to a net profit margin of 24.0% in 4Q2009. The decrease in net profit margin was primarily due to lower operating profit in 4Q2010.

Higher net profit after tax in 4Q2009 was primarily due to the gain of RMB272.3 million on restructuring of old convertible bonds and higher gains on changes in fair value of the convertible bonds and convertible shares as compared to 4Q2010. Excluding these gains, net profit after tax for 4Q2010 was 51.3% lower than the previous corresponding period.

## **FY2010 vs FY2009**

### **Revenue**

Revenue increased from RMB7.69 billion in FY2009 to RMB9.92 billion in FY2010, representing an increase of RMB 2.23 billion or 29.0%. The increase in revenue was principally attributed to the increase in the sales volume and higher average selling price of HRC in FY2010.

The Group sold 2,554,866 tonnes of HRC and 17,353 tonnes of steel billets in FY2010 as compared to 2,518,522 tonnes of HRC and 33,613 tonnes of steel billets in FY2009. Overall sales volume increased by 20,084 tonnes or 0.8%. The Group also sold 5,763 tonnes of mill rolls in FY2010 as compared to 2,707 tonnes of mill rolls in FY2009.

Revenue from mill rolls accounted for approximately 0.9% of the Group's revenue in FY2010.

### **Cost of sales**

Cost of sales increased by RMB 2.20 billion or 31.5% from RMB 7.01 billion in FY2009 to RMB9.21 billion in FY2010 principally attributable to the increase in volume of HRC sold. The increase was also due to the increase in the prices of raw materials in FY2010 compared with previous corresponding period. The increase in cost of sales was also due to the impairment charge of RMB41.0 million on property, plant and equipment in respect of the mill roll production facilities in the third quarter of 2010.

### **Gross profit**

Gross profit increased by RMB 24.9 million or 3.6% from RMB685.6 million in FY2009 to RMB 710.5 million in FY2010.

Gross profit margin decreased by 1.7 percentage point from 8.9% in FY2009 to 7.2% in FY2010. The decrease was primarily due to the increase in raw materials prices which outpaced the average selling prices of HRC sold. The decrease was also due to the impairment charge of RMB41.0 million on property, plant and equipment in respect of the mill roll production facilities in 3Q2010.

### **Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB6.0 million from RMB 4.6 million in FY2009 to RMB10.6 million in FY2010. This was due to increase in distribution-related expenses as a result of higher promotional activities in FY2010 as compared to FY2009.

### **Administrative expenses**

Administrative expenses increased by RMB1.7 million from RMB 149.3 million in FY2009 to RMB151.0 million in FY2010. The increase was primarily due to the increase in general administrative expenses e.g., legal and professional fees.

### **Finance expenses**

Finance expenses increased by RMB2.2 million from RMB223.3 million in FY2009 to RMB225.5 million in FY2010. The increase was primarily due to higher interest rates on borrowings as well as an increase in bank borrowings drawn down for working capital purposes during the year.

### **Net profit**

Net profit after tax decreased by RMB363.6 million or 54.4% from RMB668.8 million in FY2009 to RMB305.2 million in FY2010. The net profit margins in FY2009 and FY2010 were 8.7% and 3.1% respectively. The decrease in net profit margin was primarily due to lower operating margin in FY2010.

Higher net profit after tax in FY2009 was mainly due to the gain of RMB272.3 million on restructuring of old convertible bonds and higher gains on changes in fair value of the convertible bonds and convertible shares as compared to FY2010. The Group also recorded a currency translation gain of RMB41.1 million in respect of the revaluation of bank balances denominated in Singapore dollars and Australia dollars, which were strengthened against RMB in FY2009. Excluding these gains, net profit after tax for FY2010 was 11.2% lower than the previous corresponding year.

## **(b) Review of balance sheet of the Group as at 31 December 2010**

### **Current assets**

Current assets increased by RMB470.0 million from RMB 2.64 billion as at 31 December 2009 to RMB 3.11 billion as at 31 December 2010. The increase was primarily attributable to the increase in cash and cash equivalent as well as the increase in notes receivable and inventories.

The decrease in bank balances pledged was due to the use of letters of credit in payments to creditors and suppliers as compared to higher utilization of notes payable to finance payments to creditors and suppliers in FY2009. Letters of credit have lower security requirements and lower financing cost as compared to notes payable. Such instruments are classified under current borrowings.

The increase in inventories was mainly due to the increased purchases of raw materials in 4Q2010 in anticipation of additional price increases in raw materials in FY2011.



### **Current liabilities**

Current liabilities increased by RMB 630.0 million from RMB 2.95 billion as at 31 December 2009 to RMB 3.58 billion as at 31 December 2010. The increase was primarily attributable to the increase in bank borrowings drawn down for working capital purposes as well as an increase in notes payable in 4Q2010. The increase was partially offset by the payment in respect to redemption of convertible bonds (restricted) in 4Q2010.

### **Non Current liabilities**

Non-current liabilities decreased by RMB920.1 million from RMB 1.29 billion as at 31 December 2009 to RMB 369.9 million as at 31 December 2010. The decrease was mainly attributable to the decrease in convertible bonds as the Company fully redeemed the convertible bonds (restrictive) in December 2010 as well as the repayments of principal of long-term bank borrowings during the financial year .

### **Working capital**

The Group's negative working capital position was RMB474.0 million as at 31 December 2010. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure.

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 December 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 RMB420.0 million from RMB3.66 billion as at 31 December 2009 to RMB3.24 billion as at 31 December 2010. The decrease was mainly due to the decrease in Property, plant and equipment by RMB 290.0 million from RMB3.32 billion as at 31 December 2009 to RMB3.03 billion as at 31 December 2010 primarily due to the increase in the provision of depreciation on property, plant and equipment as well as the impairment charge of RMB41.0 million on property, plant and equipment in respect of the mill rolling production facilities in Xingtai Delong for the financial year.

The decrease was partially offset by the payments for the construction expenses in respect of mill rolling production facilities in Xingtai Delong as well as technical enhancements to upgrade production facilities in Delong Steel Limited.

Non-current trade receivables decreased by RMB 90.6 million from RMB 218.4 million as at 31 December 2009 to RMB 127.8 million as at 31 December 2010, mainly due to the cancellation of a finance lease under Dezhong International Financing Leasing Co., Ltd. The decrease was also due to the reclassification of amount due from an investee from non-current trade and other receivables to current trade and other receivables.

## **(c) Review of cash flow statement of the Group**

### **4Q2010 vs 4Q2009**

#### **Net Cash Generated From Operating Activities**

Net cash inflow from operating activities was RMB81.5 million in 4Q2010, which comprised operating cash inflows before movements in working capital of RMB231.3 million, adjusted for net working capital outflow of RMB114.9 million and income tax paid of RMB34.9 million.

The net working capital outflow was mainly attributed to the increase in inventories, trade and other receivables as well as an increase in bank balances pledged as securities for notes payable and bank borrowings in 4Q2010. The increase in trade and other receivables was in line with the increased business volume in 4Q2010, while the increase in inventories was due to the higher stock holdings towards the end of FY2010.

These outflows were partially offset by the increase in advance payments received from customers.

#### **Net Cash Generated from Investing Activities**

Net cash inflow from investing activities was RMB78.2 million in 4Q2010. This was mainly attributable to the proceeds of RMB68.3 million received in respect of the disposition of shares of CFE and interest income from bank deposits of approximately RMB9.2 million.

#### **Net Cash Used in Financing Activities**

Net cash outflow from financing activities increased by RMB135.4 million from RMB290.9 million in 4Q2009 to RMB426.3 million in 4Q2010. The cash outflow in 4Q2010 primarily related to the repayments of principal and interest for bank borrowings of RMB590.6 million and payment in respect to redemption of the convertible bonds (Restricted) of RMB309.2 million, partially offset by RMB473.5 million in draw-downs of bank loans.

### **FY2010 vs FY2009**

#### **Net Cash Generated From Operating Activities**

Net cash inflow from operating activities was RMB1.2 billion in FY2010, which comprised operating cash inflows before movements in working capital of RMB955.7 million, adjusted for net working capital inflow of RMB331.8 million and income tax paid of RMB85.7 million.

The net working capital inflow was mainly attributed to the decrease in bank balances pledged as securities for notes payable and bank borrowings, as well as increase in trade and other payables. These inflows were partially offset by the increase in trade and other receivables and inventories which was in line with the increased business volume in FY2010.

#### **Net Cash Used In Investing Activities**

Net cash used in investing activities was RMB50.2 million in FY2010, attributable mainly to the payment of RMB54.8 million for the conversion of options in Cape Lambert Resource Ltd (“CFE”), as well as the payments of RMB115.7 million for the construction expenses in relation to the mill rolling production facilities in Xingtai Delong and technical enhancements to upgrade production facilities in Delong Steel

Limited. The Group also invested RMB10.0 million in Tianjin United Merchantile Exchange Co., Ltd during the financial year.

The cash used in investing activities was partially offset by a refund of paid up capital of RMB20.0 million from Beijing Bohai Steel and a dividend of RMB11.7 million received from the investment in CFE and proceeds of RMB78.5 million received in respect of the disposition of shares of CFE during the year.

### **Net Cash Used In Financing Activities**

Net cash outflow from financing activities increased by RMB614.0 million from RMB326.3 million in FY2009 to RMB940.3 million in FY2010. The cash outflow in FY2010 primarily related to the repayments of principal and interest for bank borrowings of RMB3.03 billion and payments in respect to redemption of the convertible bonds (Restricted) of RMB586.0 million, partially offset by RMB 2.67 billion in draw-downs of bank loans.

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

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

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period for the next 12 months**

Steel prices worldwide including Asia, are expected to move higher through the first half of 2011 driven by raw material cost increases (such as coal and iron ore) and re-stocking of inventories. However, the extent of upside will depend on the pace of steel demand growth in 2011, especially in China.

Raw materials such as iron ore and coke had in the early months of 2011 saw prices rise rapidly on the back of recovering global economies characterised by increasing Chinese demand pushing against constrained global supply. For iron ore purchase, the shift in international practice from annual benchmark pricing to quarterly pricing has added a new element of volatility to the market. These factors point to a volatile year ahead.

The Group will remain cautious in our cost control and inventory management and continue to strengthen product development to widen our portfolio of higher value-added and higher margin products.

We will also be committed to realising our environmental goals as our new co-generation power project will be ready in September 2011. This will help us lower coal consumption thereby reducing costs by approximately RMB 40 million per year. Our environmental efforts are also in line with the Chinese Government's measures to meet emission targets and reduce pollution.

Going forward, to capitalise on the PRC's government efforts to promote consolidation of the domestic steel industry, the Group will actively explore opportunities to acquire potential steel mills to boost our production capacity. Negotiations with several steel manufacturers are in progress and the Group will announce such acquisitions in due course.

The Group remains cautiously optimistic of its outlook in FY2011.

**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 year ended 31 December 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.**

The Group is primarily operating in one single business segment i.e. the manufacture and sale of hot-rolled steel coils. Substantially all the Group’s operations were carried out in the People’s Republic of China. No other individual country contributed 10% or more of the consolidated sales and assets, and no single customer contributed 10% or more of the consolidated revenue.

Other operations of the Group, including investment holding and finance leasing, do not constitute a separate reportable segment and are included in the “Other” column.

<b>31 December 2010</b>	<u>Manufacturing</u> RMB’000	<u>Other</u> RMB’000	<u>Total</u> RMB’000
<b>REVENUE</b>			
Sales	10,047,514	-	10,047,514
Inter-segment sales	(122,272)	-	(122,272)
Sales to external parties	<u>9,925,242</u>	<u>-</u>	<u>9,925,242</u>
<b>Adjusted EBITDA*</b>	977,101	16,529	993,630
Depreciation	(343,044)	(357)	(343,401)
Impairment loss for property, plant and equipment	(40,985)	-	(40,985)
Unallocated:			
Share of profit of associated company			(140)
Finance expense			(225,515)
Gain on early redemption of convertible bonds			34,663
Gain on change in fair value of convertible bonds			11,920
Gain on change in fair value gain of convertible shares			20,205
Currency exchange loss on convertible shares			(9,409)
Profit before income tax			<u>440,968</u>
<b>Total assets</b>	<u>6,287,295</u>	<u>59,671</u>	<u>6,346,966</u>
Total assets includes:			
Additions to property, plant and equipment	115,577	101	115,678
<b>Total liabilities</b>	<u>3,590,938</u>	<u>359,531</u>	<u>3,950,469</u>

<b>31 December 2009</b>	<u>Manufacturing</u> RMB'000	<u>Other</u> RMB'000	<u>Total</u> RMB'000
<b>REVENUE</b>			
Sales	7,697,664	-	7,697,664
Inter-segment sales	(2,338)	-	(2,338)
Sales to external parties	<u>7,695,326</u>	<u>-</u>	<u>7,695,326</u>
<b>Adjusted EBITDA*</b>			
Depreciation	(361,003)	(20)	(361,023)
Share of profit of associated company	-	100	100
Finance expense			(223,314)
Unallocated:			
Gain on restructuring of convertible bonds			272,298
Fair value gain on convertible bonds			11,369
Fair value gain on convertible shares			<u>49,929</u>
Profit before income tax			<u><u>728,528</u></u>
<b>Total assets</b>			
	<u>5,808,584</u>	<u>494,778</u>	<u>6,303,362</u>
Total assets includes:			
Investment in associated company	-	20,100	20,100
Additions to property, plant and equipment	165,302	-	165,302
<b>Total liabilities</b>			
	<u>3,266,493</u>	<u>980,192</u>	<u>4,246,685</u>

\*EBITDA refers to earnings before interest, tax, depreciation and amortisation.

#### **By Geographical Segmentation-FY2009 and FY2010**

The Group's operations are mainly carried out in the PRC. No other country 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**

	FY2010	FY2009	Increase/ (Decrease)
	RMB'000	RMB'000	%
Sales reported for first half year	4,436,904	3,495,625	26.9
Profit after exceptional items and tax reported for the first half year	166,659	29,349	467.9
Sales reported for second half year	5,488,338	4,199,701	30.7
Profit after exceptional items and tax reported for the second half year	138,575	639,474	(78.3)

**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