



**DELONG HOLDINGS LIMITED**

**Statement Pursuant to SGX Listing Rule 705(4) of the Listing Manual**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial results of Delong Holdings Limited for the third quarter ended 30 September 2011 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  
3 November 2011



## DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

### UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

#### 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					
		3 <sup>rd</sup> Quarter Ended		Increase	9 Months Ended		Increase
		30/09/2011	30/09/2010	(Decrease)	30/09/2011	30/09/2010	(Decrease)
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Sales</b>		3,335,115	2,477,395	34.6	8,192,391	7,283,989	12.5
Cost of sales		(3,131,256)	(2,295,177)*	36.4	(7,788,926)	(6,742,257)*	15.5
<b>Gross Profit</b>		<b>203,859</b>	<b>182,218</b>	<b>11.9</b>	<b>403,465</b>	<b>541,732</b>	<b>(25.5)</b>
Other Income	1	10,390	6,012	72.8	30,915	24,232	27.6
Other gains-net	2	7,846	(9,284)	n.m	55,418	42,087	31.7
<b>Expenses</b>							
-Distribution and marketing		(1,532)	(3,234)	(52.6)	(6,426)	(8,669)	(25.9)
-Administrative		(36,865)	(40,411)	(8.8)	(102,312)	(119,425)	(14.3)
-Finance		(51,072)	(49,077)	4.1	(166,938)	(163,053)	2.4
Share of profit of associated company		-	-	-	-	172	(100.0)
<b>Profit before tax</b>	3	132,626	86,224	53.8	214,122	317,076	(32.5)
Income tax expense	4	(35,934)	(43,495)	(17.4)	(56,142)	(107,688)	(47.9)
<b>Net Profit</b>		<b>96,692</b>	<b>42,729</b>	<b>126.3</b>	<b>157,980</b>	<b>209,388</b>	<b>(24.6)</b>
<b>Other comprehensive income/ (loss):</b>							
<b>Gains/(losses) recognized directly in equity</b>							
Financial assets, available-for-sale							
-Fair value (losses)/ gains		-	16,782		-	(13,485)	
-Reclassification to profit or loss			-			-	
Currency translation differences		20,895	(15,274)		13,379	(14,640)	
<b>Other comprehensive income for the period, net of tax</b>		<b>20,895</b>	<b>1,508</b>		<b>13,379</b>	<b>(28,125)</b>	
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>117,587</b>	<b>44,237</b>		<b>171,359</b>	<b>181,263</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.

**Notes:-**

**1 Other Income**

	<b>The Group</b>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease income	3,757	3,715	11,524	11,136
Interest income	6,271	1,730	17,787	11,468
Rental income from investment property	362	567	1,604	1,628
	<u>10,390</u>	<u>6,012</u>	<u>30,915</u>	<u>24,232</u>

**2 Other gains-net**

	<b>The Group</b>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Loss on disposal of financial assets, available-for-sale	-	(4,308)	-	(4,476)
Fair value gain/(loss)- financial assets at fair value through profit or loss	(200)	225	(549)	(229)
Currency translation (loss)/gain-net <sup>1</sup>	(4,711)	13,462	16,282	12,921
Fair value gain/(loss) on convertible bonds <sup>2</sup>	1,246	(14,312)	12,043	5,450
Fair value gain/(loss) on convertible shares <sup>3</sup>	2,565	(20,375)	17,582	12,037
Gain on early redemption of convertible bonds	-	12,733	-	12,733
Gain/(loss) on disposal of property, plant and equipment <sup>4</sup>	13,556	(1,703)	12,723	(1,667)
Other	(4,610)	4,994	(2,933)	5,318
	<u>7,846</u>	<u>(9,284)</u>	<u>55,148</u>	<u>42,087</u>

<sup>1</sup>The currency translation loss in 3Q2011 was mainly due to the revaluation of bank balances denominated in SGD and AUD which were weakened against RMB.

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

<sup>3</sup>The gain was due to the quarterly revaluation of derivatives embedded to the convertible shares.

The derivative values were substantially lower in 3Q2011 compared to 3Q2010 primarily due to lower Company's share price as at 30 September 2011 as well as the SGD had weakened against RMB during the period under review.

<sup>4</sup>The gain comprised largely the one-off gain of RMB13.9 million from disposal of investment property at 1 Changi South Street 1, Singapore.

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

	<b>The Group</b>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization	89,401	62,326	262,109	249,815
Salaries and wages	47,240	37,300	134,800	113,349
Operating lease rental	172	212	610	609

**4. Income Tax Expense**

	<b>The Group</b>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense /(credit)				
-Foreign	41,331	42,244	60,191	106,291
Deferred income tax	(5,397)	1,251	(4,140)	1,225
Underprovision in preceding financial years				
-Current income tax	-	-	91	172
	<u>35,934</u>	<u>43,495</u>	<u>56,142</u>	<u>107,688</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 30/09/2011	As at 31/12/2010	As at 30/09/2011	As at 31/12/2010
<b>Current Assets</b>					
Cash and cash equivalents		304,391	509,728	31,896	53,659
Bank balances pledged		1,038,577	507,361	-	-
Financial assets, at fair value through profit and loss		655	1,204	655	1,204
Trade and other receivables	1	587,067	458,434	18	13
Inventories	2	1,520,558	1,262,405	-	-
Other current assets	3	577,755	367,443	9,877	4,334
		4,029,003	3,106,575	42,446	59,210
<b>Non-current assets</b>					
Trade and other receivables	4	89,717	127,774	635,796	650,589
Investments in subsidiaries		-	-	1,884,916	1,884,916
Financial assets, available-for-sale	5	20,000	20,000	-	-
Investment property	6	-	15,611	-	-
Property, plant and equipment		2,942,583	3,038,279	61	74
Deferred income tax assets		40,982	38,727	-	-
		3,093,282	3,240,391	2,520,773	2,535,579
<b>Total assets</b>		<b>7,122,285</b>	<b>6,346,966</b>	<b>2,563,219</b>	<b>2,594,789</b>
<b>Current liabilities</b>					
Trade and other payables	7	1,685,357	1,571,870	7,798	12,286
Notes payables		650,226	807,716	-	-
Borrowings		1,642,843	1,146,435	10	10
Convertible bonds		151,177	-	151,177	-
Current income tax liabilities		65,779	54,524	-	98
		4,195,382	3,580,545	158,985	12,394
<b>Non-current liabilities</b>					
Borrowings		229,468	71,825	56	61
Convertible bonds	8	-	153,986	-	153,986
Convertible shares		106,526	121,224	106,526	121,224
Deferred income tax liabilities		22,889	22,889	-	-
		358,883	369,924	106,582	275,271
<b>CAPITAL AND RESERVE</b>					
Share capital		403,675	403,511	2,109,510	2,109,347
Reserves		2,164,345	1,992,986	188,142	197,777
Total equity		2,568,020	2,396,497	2,297,652	2,307,124
Total liabilities and equity		7,122,285	6,346,966	2,563,219	2,594,789

**Notes:**

1. *Trade and other receivables - current*

	The Group	
	30/09/2011	31/12/2010
	RMB'000	RMB'000
Finance lease receivables	84,110	60,516
Trade receivables	27,903	71,185
Due from an investee company	26,247	26,247
Notes receivable	448,807	300,486
	<u>587,067</u>	<u>458,434</u>

The increase in notes receivable was in line with the increase in revenue in 3Q2011.

As at 30 September 2011, 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	
	30/09/2011	31/12/2010
	RMB'000	RMB'000
Raw materials	1,112,889	954,059
Work-in-progress	169,311	86,106
Finished goods	145,081	115,248
Production supplies	93,277	106,992
	<u>1,520,558</u>	<u>1,262,405</u>

The increase in inventories was mainly due to higher raw material prices in 3Q2011.

3. *Other current assets*

	The Group	
	30/09/2011	31/12/2010
	RMB'000	RMB'000
Deposits	89	58
Prepayments	408,618	291,474
Other	169,048	75,911
	<u>577,755</u>	<u>367,443</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	
	30/09/2011	31/12/2010
	RMB'000	RMB'000
Finance lease receivables	89,717	127,774

5. *The investments comprise a 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd and a 8.62% equity interest in Tianjin United Mercantile Exchange Co., Ltd.*

6. *The Group disposed of its investment property at 1 Changi South Street 1, Singapore, during the period under review, realized a gain of RMB13.9 million.*

7. *Trade and other payables*

	The Group	
	30/09/2011	31/12/2010
	RMB'000	RMB'000
Trade payables to:		
- Third parties	780,163	675,080
VAT and other taxes payable	17,578	54,491
Payable to contractors for construction-in-progress	59,590	59,590
Advances from customers*	701,091	674,865
Other accrual for operating expenses	15,860	2,645
Staff and workers' bonus and welfare fund	22,429	56,904
Deposits from tenant	-	564
Deposits from staff and workers	1,255	978
Due to directors (non-trade)	991	5,049
Deferred income	10,593	11,842
Other payables	75,807	29,862
	1,685,357	1,571,870

*\*Advances 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:*

	Group and Company	
	30/09/2011	31/12/2010
	RMB'000	RMB'000
<u>Current</u>		
Convertible Bonds	150,850	-
Derivatives liability-Convertible Bonds	327	-
	151,177	-
<u>Current</u>		
Convertible Bonds	-	141,616
Derivatives liability-Convertible Bonds	-	12,370
	-	153,986

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

**Amount repayable in one year or less, or on demand**

As at 30/06/2011	As at 31/12/2010
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,041,969	752,051	694,202	452,233

**Amount repayable after one year**

As at 30/06/2011	As at 31/12/2010
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
103,519	232,475	47,414	299,621

**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 RMB700,874,000 (2010: RMB 410,913,400) 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			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2011 RMB '000	30/09/2010 RMB '000	30/09/2011 RMB '000	30/09/2010 RMB '000
<b>Cash flows from operating activities:</b>				
Profit after income tax	96,692	42,729	157,980	209,388
Adjustments for:				
Depreciation	89,401	62,326	262,109	249,815
Impairment charge on property, plant and equipment	-	40,985	-	40,985
(Gain)/loss on disposal of property, plant and equipment	(13,556)	1,703	(12,723)	1,667
Fair value loss on financial assets, fair value through profit or loss	200	(225)	549	229
Loss on disposal of financial assets, available-for-sale	-	4,308	-	4,476
Loss/(gain) on change in fair value of convertible bonds	(1,246)	14,312	(12,043)	(5,450)
Loss/(gain) on change in fair value convertible shares	(2,565)	20,375	(17,582)	(12,037)
Exchange (gain)/loss on convertible shares	(8,296)	3,018	(5,955)	6,829
Gain on early redemption of convertible bonds	-	(12,733)	-	(12,733)
Interest income	(6,271)	(1,730)	(17,787)	(11,468)
Interest expense	51,072	49,077	166,938	163,053
Income tax expense	35,934	43,495	56,142	107,688
Share of profit of associated company	-	-	-	(172)
Unrealised currency translation (gain)/loss	20,195	(16,111)	12,320	(15,478)
	<u>164,868</u>	<u>208,800</u>	<u>431,968</u>	<u>517,404</u>
<b>Operating cash flow before working capital changes</b>	<b>261,560</b>	<b>251,529</b>	<b>589,948</b>	<b>726,792</b>
Bank balances pledged	317,648	84,001	(531,216)	406,699
Receivables	(368,407)	171,640	(300,888)	(126,257)
Inventories	85,998	322,233	(258,153)	158,707
Payables	(688,271)	(10,444)	(44,003)	5,913
	<u>(653,032)</u>	<u>567,430</u>	<u>(1,134,260)</u>	<u>445,062</u>
<b>Cash provided by/(used in) operating activities</b>	<b>(391,472)</b>	<b>818,959</b>	<b>(544,312)</b>	<b>1,171,854</b>
Income tax paid	(17,274)	(46,101)	(47,141)	(50,766)
<b>Net cash provided by/(used in) operating activities</b>	<b>(408,746)</b>	<b>772,858</b>	<b>(591,453)</b>	<b>1,121,088</b>
<b>Cash flows from investing activities:</b>				
Payments for property, plant and equipment	(94,889)	(58,002)	(168,153)	(116,817)
Proceeds from disposal of property, plant and equipment	-	-	-	230
Proceeds from disposal of investment property	31,133	-	31,133	-
Proceeds from disposal of financial assets, available for sale	-	9,945	-	10,269
Purchase of financial assets, fair value through profit and loss	-	(1,116)	-	(1,116)
Purchase of financial assets, available for sale	-	(10,000)	-	(64,815)
Dividend received from financial assets, available for sale	-	11,665	-	11,665
Refund of paid-up capital from joint venture	-	-	-	20,000
Interest received	6,271	1,730	17,787	11,468
<b>Net cash used in investing activities</b>	<b>(57,485)</b>	<b>(45,778)</b>	<b>(119,233)</b>	<b>(129,116)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	1,060,686	442,212	3,097,086	2,202,049
Repayment of borrowings	(885,763)	(797,911)	(2,443,035)	(2,318,086)
Redemption of convertible bonds	-	(276,800)	-	(276,800)
Interest paid	(47,316)	(27,578)	(148,702)	(121,145)
<b>Net cash provided by/(used in) financing activities</b>	<b>127,607</b>	<b>(660,077)</b>	<b>505,349</b>	<b>(513,982)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(338,624)</b>	<b>67,003</b>	<b>(205,337)</b>	<b>477,990</b>
Cash and cash equivalents at beginning of the period	643,015	701,100	509,728	290,113
<b>Cash and cash equivalents at end of the period</b>	<b>304,391</b>	<b>768,103</b>	<b>304,391</b>	<b>768,103</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**

<b>The Group</b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000
<b>Balance as at 1 January 2011</b>	403,511	249,218	(7,933)	141,072	1,610,629	2,396,497
Total comprehensive loss for the period	-	-	(4,436)	-	(22,093)	(26,529)
<b>Balance as at 31 March 2011</b>	403,511	249,218	(12,369)	141,072	1,588,536	2,369,968
Issue of shares pursuant to exercise of convertible bonds	164	-	-	-	-	164
Total comprehensive income/(loss) for the period	-	-	(3,080)	-	83,381	80,301
<b>Balance as at 30 June 2011</b>	403,675	249,218	(15,449)	141,072	1,671,917	2,450,433
Total comprehensive income for the period	-	-	20,895	-	96,692	117,587
<b>Balance as at 30 September 2011</b>	403,675	249,218	5,446	141,072	1,768,609	2,568,020

<b>The Group</b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair Value reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> 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

<u>The Company</u>	Share capital RMB '000	Capital reserve RMB '000	Retained earnings RMB '000	Total RMB '000
<b>Balance as at 1 January 2011</b>	2,109,347	249,218	(51,441)	2,307,124
Total comprehensive income for the period	-	-	2,364	2,364
<b>Balance as at 31 March 2011</b>	2,109,347	249,218	(49,077)	2,309,488
Issue of shares pursuant to exercise of convertible bonds	164	-	-	164
Total comprehensive income for the period	-	-	15,148	15,148
<b>Balance as at 30 June 2011</b>	2,109,511	249,218	(33,929)	2,324,800
Total comprehensive loss for the period	-	-	(27,148)	(27,148)
<b>Balance as at 30 September 2011</b>	2,109,511	249,218	(61,077)	2,297,652

<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 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

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 3<sup>rd</sup> Quarter Ended</b>	30/09/2011	30/09/2010
Number of ordinary shares as at 1 Jul	550,156,703	542,955,027
Shares arising from conversion of convertible shares	-	6,898,903
Number of ordinary shares as at 30 September	550,156,703	549,853,930

<b>Convertible Bonds as at</b>	30/09/2011	30/09/2010
Number of shares that maybe issued on conversion of all outstanding convertible bonds	34,247,973	34,247,973
<b>Convertible Shares as at</b>	30/09/2011	30/09/2010
Number of shares that maybe issued on conversion of all outstanding convertible shares	29,650,150	29,952,293

**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 2010.

**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			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	96,692	42,729	157,980	209,388
Basic earnings per share (in RMB )	0.18	0.08	0.29	0.39
Diluted earnings per share (in RMB)	0.17	0.07	0.24	0.35
Weighted average no. of shares outstanding for basic earnings per share	550,156,703	543,579,379	550,054,670	542,399,912
Weighted average no. of shares outstanding for diluted earnings per share	614,054,823	607,780,272	613,952,790	606,600,805

**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	
	30/09/2011	31/12/2010	30/09/2011	31/12/2010
Net Asset Value per share (RMB)	4.67	4.36	4.18	4.20

Net asset value per share for the Group and Company is calculated based on 550,156,703 ordinary shares in issue at the end of the financial period under review and 549,853,930 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2010.

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**

**3Q2011 vs 3Q2010**

**Revenue**

Revenue increased by RMB857.7 million or 34.6% from RMB2477.4 million in 3Q2010 to RMB3335.1 million in 3Q2011. This is principally attributable to the increase in volume of Hot Rolled Coils ("HRC") sold and the increase in average selling price of HRC in 3Q2011 compared with the previous corresponding period.

In 3Q2011 the Group sold 727,618 tonnes of HRC and 451 tonnes of steel billets as compared to 654,763 tonnes of HRC and 963 tonnes of steel billets in 3Q2010. Overall sales quantity increased by 72,343 tonnes or 11.0%.

The increase in revenue was also due to the increase in volume of mill rolls sold by 2,359 tonnes from 724 tonnes in 3Q2010 to 3,083 tonnes in 3Q2011. Revenue from mill rolls accounted for approximately 0.8% of the Group's revenue in 3Q2011.

**Cost of sales**

Cost of sales increased by RMB836.1 million or 36.4% from RMB2295.2 million in 3Q2010 to RMB3131.3 million in 3Q2011. The increase was in line with the increase in the overall volume of HRC sold as well as the increase in the purchase price of raw materials, such as iron ore and coke, in 3Q2011 as compared to the previous corresponding period.

**Gross profit**

Gross profit increased by RMB21.7 million from RMB182.2 million in 3Q2010 to RMB203.9 million in 3Q2011.

Gross profit margin decreased from 7.4% in 3Q2010 to 6.1% in 3Q2011 primarily due to the increase in raw material prices which outpaced the average selling price of HRC sold.

**Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB 1.7 million from RMB3.2 million in 3Q2010 to RMB1.5 million in 3Q2011 primarily due to lower port charges, including storage and handling charges incurred in 3Q2011. This was due to the reduction in volume of HRC sold overseas.

### **Administrative expenses**

Administrative expenses decreased by RMB3.5 million from RMB 40.4 million in 3Q2010 to RMB36.9 million in 3Q2011. This was primarily due to the decrease in general administrative expenses in 3Q2011 following the implementation of cost control measures as compared to previous corresponding period.

### **Finance expenses**

Despite lower interest expense incurred on convertible bonds in 3Q2011 as the Group had fully redeemed the convertible bonds (Restrictive) in December 2010, finance expenses increased by RMB2.0 million from RMB49.1 million in 3Q2010 to RMB 51.1 million in 3Q2011.

The increase in finance expenses was primarily due to overall higher interest rates on borrowings as well as the increase in bank borrowings for working capital purposes in 3Q2011.

### **Net profit**

As a result of the foregoing, net profit after tax increased by RMB 54.0 million or 126.3% from RMB42.7 million in 3Q2010 to RMB 96.7 million in 3Q2011. This represented a net profit margin of 2.9% in 3Q2011 compared to a net profit margin of 1.7% in 3Q2010.

The increase in net profit margin was primarily due to higher operating profit margin in 3Q2011.

## **9M2011 vs 9M2010**

### **Revenue**

Revenue increased by RMB908.4 million or 12.5% from RMB7284.0 million in 9M2010 to RMB8192.4 million in 9M2011, despite lower volume of HRC sold in 9M2011 resulting from the 5-week maintenance programme for two of the blast furnaces in 1Q2011. The increase was principally attributed to the increase in average selling price of HRC sold in 9M2011.

The Group sold 1,845,711 tonnes of HRC and 660 tonnes of steel billets in 9M2011 as compared to 1,901,646 tonnes of HRC and 13,936 tonnes of steel billets in 9M2010. Overall sales volume decreased by 69,211 tonnes or 3.6%.

The increase in revenue was also due to the increase in volume of mill rolls sold by 1,978 tonnes from 6,298 tonnes in 9M2010 to 8,276 tonnes in 9M2011. Revenue from mill rolls accounted for approximately 0.9% of the Group's revenue in 9M2011.

### **Cost of sales**

Cost of sales increased by RMB1046.6 million or 15.5% from RMB6742.3 million in 9M2010 to RMB7788.9 million in 9M2011 principally attributable to the increase in the purchase price of raw materials in 9M2011 compared with previous corresponding period.

### **Gross profit**

Gross profit decreased by RMB138.2 million or 25.5% from RMB541.7 million in 9M2010 to RMB403.5 million in 9M2011.

Gross profit margin decreased from 7.4% in 9M2010 to 4.9% in 9M2011. The decrease was primarily due to the increase in raw material prices which outpaced the increase in average selling price of HRC sold. The decrease was also due to lower production output during the maintenance period for the Group's blast furnaces in 1Q2011 which resulted in the increase in average cost of sales per tonne.

### **Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB2.3 million from RMB8.7 million in 9M2010 to RMB6.4 million in 9M2011 primarily due to the decrease in port charges, including storage and handling charges incurred in 9M2011. This was due to the reduction in volume of HRC sold overseas.

### **Administrative expenses**

Despite the increase in employee related expenses, resulting from the increase in the number of staff, administrative expenses decreased by RMB17.1 million from RMB119.4 million in 9M2010 to RMB102.3 million in 9M2011 primarily due to lower legal and professional fees incurred following the completion of the convertible bonds restructuring exercise in 2010.

The decrease in administrative expenses was also due to lower general administrative expenses in 9M2011 following the implementation of cost control measures.

### **Finance expenses**

Despite lower interest expense on convertible bonds in 9M2011 as the Group had fully redeemed the convertible bonds (Restrictive) in December 2010, finance expenses increased by RMB3.8 million from RMB163.1 million in 9M2010 to RMB166.9 million in 9M2011. The increase was primarily due to the increase in bank borrowings for working capital purposes and higher interest rates on borrowings in 9M2011.

### **Net profit**

Net profit after tax decreased by RMB51.4 million or 24.6% from RMB209.4 million in 9M2010 to RMB158.0 million in 9M2011. This represented a net profit margin of 1.9% in 3Q2011 compared to a net profit margin of 2.9% in 3Q2010.

The decrease in net profit margin was primarily due to lower operating profit margin in 9M2011.



## **(b) Review of balance sheet of the Group as at 30 September 2011**

### **Current assets**

Current assets increased by RMB922.4 million from RMB3106.6 million as at 31 December 2010 to RMB4029.0 million as at 30 September 2011. The increase was primarily attributable to the increase in bank balances pledged with banks as security for borrowings and notes payable. The increase was also due to increase in inventories, notes receivable and advance payments to suppliers for the purchase of raw materials.

### **Current liabilities**

Current liabilities increased by RMB614.9 million from RMB3580.5 million as at 31 December 2010 to RMB4195.4 million as at 30 September 2011. The increase was primarily attributable to the increase in bank borrowings including letters of credit for working capital purposes as well as the increase in advance payments received from customers. The increase was partially offset by the decrease in notes payable, as we increasingly financed our payments to creditors and suppliers through the use of letters of credit in 3Q2011, as compared to relatively higher utilization of notes payable to finance these payments in FY2010.

The increase in current liabilities was also due to the reclassification of the convertible bonds of RMB151.2 million from non-current liabilities to current liabilities in 3Q2011. The convertible bonds are due for payment in June 2012.

### **Working capital**

The Group had improved its negative working capital position by RMB307.6 million from RMB474.0 million as at 31 December 2010 to RMB166.4 million as at 30 September 2011. 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 as well as the reclassification of the convertible bonds of RMB151.2 million from non-current liabilities to current liabilities in 3Q2011.

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

The Group has satisfactorily maintained its credit facilities with financial institutions in PRC during the period under review whereby credit facilities have constantly been renewed and/or rolled-over quarterly by the financial institutions.

### **Non current assets – Property, plant and equipment**

Non-current assets decreased by RMB147.1 million from RMB3240.4 million as at 31 December 2010 to RMB3093.3 million as at 30 September 2011, primarily due to the decrease in property, plant and equipment from RMB3038.3 million as at 31 December 2010 to RMB2942.6 million as at 30 September 2011. The decrease in property, plant and equipment was primarily due to the provision for depreciation on property, plant and equipment for the period under review.

The decrease in non-current assets was also due to the disposal of our investment property at 1 Changi South, Street 1, during the period under review.

The decrease was partially offset by payment for technical enhancements to upgrade production facilities in Delong Steel Limited.

### **Non Current liabilities**

Non-current liabilities decreased by RMB11.0 million from RMB369.9 million as at 31 December 2010 to RMB358.9 million as at 30 September 2011. The decrease was mainly attributable to the reclassification of the convertible bonds of RMB151.2 million from non-current liabilities to current liabilities in 3Q2011. The decrease was partially offset by the increase in long-term bank borrowings for working capital purposes during the period under review.

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

#### **3Q2011 vs 3Q2010**

##### **Net Cash Used in Operating Activities**

Net cash outflow used in operating activities was RMB408.7 million in 3Q2011, compared to a net cash inflow of RMB772.9 million in 3Q2010. The net cash outflow was primarily due to the increase in notes receivable and advance payments to suppliers for raw material purchases as well as the increase in payment of notes payable in 3Q2011. The net cash outflow was partially offset by a decrease in bank balances pledged with banks as security for borrowings in 3Q2011.

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

Net cash used in investing activities was RMB57.5 million in 3Q2011 attributable mainly to payment for technical enhancements to upgrade production facilities in Delong Steel Limited, partially offset by proceeds received from disposal of investment property at 1 Changi South, Street 1, Singapore.

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

Net cash generated from financing activities was RMB127.6 million in 3Q2011. This was mainly attributable to the drawdown of short-term loans of RMB1060.7 million for working capital less principal and interest repayments of RMB933.1 million.

#### **9M2011 vs 9M2010**

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

Net cash outflow used in operating activities was RMB591.5 million in 9M2011, compared to a net cash inflow of RMB1121.1 million in 9M2010. The net cash outflow in 9M2011 was mainly due to the increase in bank balances pledged as security for bank borrowings and notes payable as well as the increase in notes receivable and inventories during the period under review.

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

Net cash used in investing activities was RMB119.2 million in 9M2011 attributable mainly to payments for construction in relation to the mill roll plant in Xingtai Delong and technical enhancements to upgrade production facilities in Delong Steel Limited. The net cash outflow was partially offset by proceeds received from disposal of investment property at 1 Changi South, Street 1.

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

Net cash inflow from financing activities was RMB505.3 million in 9M2011. This was mainly attributable to the drawdown of short-term loans of RMB3097.0 million for working capital less principal and interest repayments of RMB2591.7 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**

The prices of steel products will be affected by the softer domestic and global markets in the coming months. The China Iron and Steel Association said that the country's tight monetary policy is having an impact on commodities demand in the world's second-largest economy. It has forecast steel production growth to ease in the second half of this year and this is attributed to lacklustre steel exports and to slackening automotive, shipbuilding and machinery industries in China. Steel demand in the domestic market will also be affected by the China government's recent efforts to curb inflation and tighten credit control. The tighter monetary policies implemented are likely to slow down the growth of the property and construction sectors.

In the light of the steel industry trends and global uncertain economic outlook, the Group will continue to focus on cost control and inventory management to protect its profit margins. The Group will also maintain its efforts on energy saving from its newly completed co-generation power plant.

Going forward, the Group will continue to adopt prudent strategies to minimise exposure to market risks while taking advantage of market opportunities to deliver better returns to shareholders.

### **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 third quarter 30 September 2011.

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

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

N.A

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

N.A

15. **A breakdown of Sales**

N.A

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

N.A

17. **Interested person transactions**

No interested person transactions mandate has been obtained.

Aggregate value of interested person transactions entered from 1 January 2011 to 30 September 2011- sales transactions.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	9M 2011 RMB'000	9M2010 RMB'000	9M 2011 RMB'000	9M2010 RMB'000
*Hebei Delong Modern Special Tube Manufacturing Co., Ltd	7,259	-	-	-

\* The company is owned by Mr Ding Ligu and his spouse, Madam Zhao Jing.

**BY ORDER OF THE BOARD**

Ding Ligu  
 Executive Chairman