



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

## UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

1(a) **An income statement and statement of comprehensive income (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
		31/12/2011	31/12/2010	(Decrease)	31/12/2011	31/12/2010	(Decrease)
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Sales</b>		2,250,187	2,641,253	(14.8)	10,442,578	9,925,242	5.2
Cost of sales		(2,323,152)	(2,472,528)	(6.0)	(10,112,078)	(9,214,785)	9.7
<b>Gross(Loss)/ Profit</b>		<b>(72,965)</b>	<b>168,725</b>	<b>(143.2)</b>	<b>330,500</b>	<b>710,457</b>	<b>(53.5)</b>
Other Income	1	10,529	15,004	(29.8)	41,419	39,236	5.6
Other gains-net	2	(10,279)	57,833	(117.8)	45,166	99,920	(54.8)
<b>Expenses</b>							
-Distribution and marketing		(3,131)	(1,961)	59.7	(9,557)	(10,630)	(10.1)
-Administrative		(63,706)	(31,655)	101.3	(166,020)	(151,080)	9.9
-Finance		(54,816)	(62,462)	(12.2)	(221,754)	(225,515)	(1.7)
Share of profit of associated company		-	(272)	(100.0)	-	(100)	(100.0)
<b>(Loss)/ Profit before tax</b>	3	<b>(194,368)</b>	<b>145,212</b>	<b>(233.9)</b>	<b>19,754</b>	<b>462,288</b>	<b>(95.7)</b>
Income tax credit/(expense)	4	24,316	(28,046)	(186.7)	(31,826)	(135,734)	(76.6)
<b>Net (Loss)/Profit</b>		<b>(170,052)</b>	<b>117,166</b>	<b>(245.1)</b>	<b>(12,072)</b>	<b>326,554</b>	<b>(103.7)</b>
<b>Other comprehensive income/ (loss):</b>							
<b>Gains/(losses) recognized directly in equity</b>							
Financial assets, available-for-sale							
-Fair value losses		-	13,485	-	-	-	-
-Gains previously recognized directly in equity now included in net profit			(21,320)		-	(21,320)	
Currency translation differences		4,227	(988)		17,606	(15,628)	
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>4,227</b>	<b>(8,823)</b>		<b>17,606</b>	<b>(36,948)</b>	
<b>Total comprehensive (loss)/income attributable to equity holders of the Company</b>		<b>(165,825)</b>	<b>108,343</b>		<b>5,534</b>	<b>289,606</b>	

\*Cost of sales includes an impairment charge of RMB15,000,000 on property, plant and equipment in respect of the mill roll production facilities in Xingtai Delong Machinery and Mill Roll Co., Ltd. (“Xingtai Delong”).

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 as at the date of this announcement. During the period under review, the Group carried out an impairment review in respect of the mill roll production facilities in Xingtai Delong. As a result, the impairment charge of RMB 15,000,000 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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	-	510	-	510
Finance lease income	4,133	4,671	15,657	15,807
Interest income	6,396	9,214	24,183	20,682
Rental income from investment property	-	609	1,579	2,237
	<u>10,529</u>	<u>15,004</u>	<u>41,419</u>	<u>39,236</u>

**2 Other gains-net**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of financial assets, available- for- sale	-	18,871	-	14,395
Gain on disposal of financial assets at fair value through profit or loss	15	23	15	23
Fair value gain/ (loss)- financial assets at fair value through profit or loss	122	(172)	(427)	(401)
Currency translation gain-net <sup>1</sup>	6,176	(304)	22,458	12,617
Gain on change in fair value of convertible bonds <sup>2</sup>	326	6,468	12,369	11,918
Gain on change in fair value of convertible shares <sup>3</sup>	3,156	7,484	20,738	19,521
Gain on early redemption of convertible bonds	-	21,930	-	34,663
Gain on disposal of property, plant and equipment <sup>4</sup>	(1,867)	1,667	10,856	-
Other <sup>5</sup>	(18,207)	1,866	(20,843)	7,184
	<u>(10,279)</u>	<u>57,833</u>	<u>45,166</u>	<u>99,920</u>

<sup>1</sup>The currency translation gain was mainly due to the revaluation of bank borrowings denominated in US\$ which had weakened against RMB in 4Q2011 and FY2011 respectively.

<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.

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

<sup>5</sup> Other comprised sales of electricity, coal gas, oxygen, scrap etc.

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

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2011 RMB'000	31/12/2010 RMB'000	31/12/2011 RMB'000	31/12/2010 RMB'000
Depreciation and amortization	89,358	93,587	351,467	343,402
Staff and wages	55,122	73,224	189,922	186,573
Operating lease rental	84	217	694	826

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

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2011 RMB'000	31/12/2010 RMB'000	31/12/2011 RMB'000	31/12/2010 RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense /(credit)				
-Singapore	-	99	-	99
-Foreign	(34,095)	30,557	26,096	136,848
Deferred income tax	(617)	(2,518)	(4,757)	(1,293)
Adjustments in respect of preceding financial years				
-Current income tax	-	(92)	91	80
-Deferred income tax	10,396	-	10,396	-
	<u>(24,316)</u>	<u>28,046</u>	<u>31,826</u>	<u>135,734</u>

**1(b)(i) A statement of financial position (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 31/12/2011	As at 31/12/2010	As at 31/12/2011	As at 31/12/2010
<b>Current Assets</b>					
Cash and cash equivalents		1,016,569	509,728	199,772	53,659
Bank balances pledged		713,653	507,361	-	-
Financial assets, at fair value through profit and loss		657	1,204	657	1,204
Trade and other receivables	1	615,176	458,434	68	13
Inventories	2	1,226,441	1,262,405	-	-
Other current assets	3	517,858	367,443	151	4,334
		4,090,354	3,106,575	200,648	59,210
<b>Non-current assets</b>					
Trade and other receivables	4	97,221	127,774	631,376	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		2,874,902	3,038,279	57	74
Deferred income tax assets		33,087	38,727	-	-
		3,025,210	3,240,391	2,516,349	2,535,579
<b>Total assets</b>		<b>7,115,564</b>	<b>6,346,966</b>	<b>2,716,997</b>	<b>2,594,789</b>
<b>Current liabilities</b>					
Trade and other payables	7	1,409,195	1,571,870	12,100	12,286
Notes payables		390,000	807,716	-	-
Borrowings		2,236,299	1,146,435	34,770	10
Convertible bonds	8	151,453	-	151,453	-
Current income tax liabilities		29,666	54,524	-	98
		4,216,613	3,580,545	198,323	12,394
<b>Non-current liabilities</b>					
Borrowings		368,478	71,825	139,067	61
Convertible bonds	8	-	153,986	-	153,986
Convertible shares		104,707	121,224	104,707	121,224
Deferred income tax liabilities		22,889	22,889	-	-
		496,074	369,924	243,774	275,271
<b>CAPITAL AND RESERVE</b>					
Share capital		404,361	403,511	2,110,197	2,109,347
Reserves		1,998,516	1,992,986	164,703	197,777
Total equity		2,402,877	2,396,497	2,274,900	2,307,124
Total liabilities and equity		7,115,564	6,346,966	2,716,997	2,594,789

**Notes:**

1. *Trade and other receivables - current*

	The Group	
	31/12/2011	31/12/2010
	RMB'000	RMB'000
Finance lease receivables	77,910	60,516
Trade receivables	48,192	71,185
Due from an investee company	26,247	26,247
Notes receivable	462,827	300,486
	<u>615,176</u>	<u>458,434</u>

The increase in notes receivable was in line with the increase in revenue in FY2011.

As at 31 December 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	
	31/12/2011	31/12/2010
	RMB'000	RMB'000
Raw materials	853,203	954,059
Work-in-progress	166,468	86,106
Finished goods	114,080	115,248
Production supplies	92,690	106,992
	<u>1,226,441</u>	<u>1,262,405</u>

The decrease in inventories was mainly due to the Group's streamlining of its inventory holdings in line with the decrease in demand for hot rolled coils in 4Q2011.

3. *Other current assets*

	The Group	
	31/12/2011	31/12/2010
	RMB'000	RMB'000
Deposits	785	58
Prepayments	145,946	291,474
Other	371,127	75,911
	<u>517,858</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 other receivables, VAT and other indirect taxes receivable .

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

	The Group	
	31/12/2011 RMB'000	31/12/2010 RMB'000
Finance lease receivables	97,221	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	
	31/12/2011 RMB'000	31/12/2010 RMB'000
Trade payables to:		
- Third parties	690,229	675,080
VAT and other taxes payable	65,811	54,491
Payable to contractors for construction-in-progress	107,060	59,590
Advances from customers*	376,626	674,865
Other accrual for operating expenses	15,263	2,645
Staff and workers' bonus and welfare fund	18,503	56,904
Deposits from tenant	-	564
Deposits from staff and workers	1,276	978
Due to directors (non-trade)	659	5,049
Deferred income	10,177	11,842
Other payables	123,591	29,862
	1,409,195	1,571,870

*\*Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases of customers upon delivery of goods to customers.*

8. *Convertible bonds*

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

	Group and Company	
	31/12/2011 RMB'000	31/12/2010 RMB'000
<u>Current</u>		
Convertible Bonds	151,452	-
Derivatives liability-Convertible Bonds	1	-
	151,453	-
<u>Non-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 31/12/2011	As at 31/12/2010
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,088,369	1,299,383	694,202	452,233

**Amount repayable after one year**

As at 31/12/2011	As at 31/12/2010
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
249,067	224,118	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 RMB1,117,713,683 (2010: RMB 410,913,400) were guaranteed by third parties. Borrowings amounting to RMB10,583,122 (2010: Nil) were guaranteed by related parties.

**1( c) A statement of cash flows (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	
	31/12/2011 RMB '000	31/12/2010 RMB '000	31/12/2011 RMB '000	31/12/2010 RMB '000
<b>Cash flows from operating activities:</b>				
(Loss)/Profit after income tax	(170,052)	117,166	(12,072)	326,554
Adjustments for:				
Depreciation	89,358	93,587	351,467	343,402
Impairment charge on property, plant and equipment	17,420	-	17,420	40,985
Gain on disposal of property, plant and equipment	1,867	(1,667)	(10,856)	-
Fair value loss on financial assets, fair value through profit or loss	(122)	172	427	401
Gain on disposal of financial assets, fair value through profit or loss	(15)	(23)	(15)	(23)
Gain on disposal of financial assets, available-for-sale	-	(18,871)	-	(14,395)
Gain on change in fair value of convertible bonds	(326)	(6,468)	(12,369)	(11,918)
Gain on change in fair value convertible shares	(3,156)	(7,484)	(20,738)	(19,521)
Currency (gain)/loss on convertible shares	(916)	(670)	(6,871)	6,159
Gain on early redemption of convertible bonds	-	(21,930)	-	(34,663)
Interest income	(6,396)	(9,214)	(24,183)	(20,682)
Interest expense	54,816	40,604	221,754	203,657
Income tax expense	(24,316)	28,046	31,826	135,734
Share of profit of associated company	-	272	-	100
Unrealised currency translation (gain)/loss	10,827	(8,407)	25,190	(24,602)
	139,041	87,947	573,052	604,634
<b>Operating cash flow before working capital changes</b>	(31,011)	205,113	560,980	931,188
Bank balances pledged	324,924	(228,315)	(206,292)	178,384
Receivables	24,284	(31,792)	(276,604)	(158,049)
Inventories	294,118	(321,821)	35,964	(163,114)
Payables	(536,389)	487,442	(580,392)	493,355
	106,937	(94,486)	(1,027,324)	350,576
<b>Cash provided by/(used in) operating activities</b>	75,926	110,627	(466,344)	1,281,764
Income tax paid	(3,903)	(34,884)	(51,044)	(85,650)
<b>Net cash provided by/(used in) operating activities</b>	72,023	75,743	(517,388)	1,196,114
<b>Cash flows from investing activities:</b>				
Payments for property, plant and equipment	(40,181)	(4,980)	(208,334)	(120,658)
Proceeds from disposal of property, plant and equipment	-	-	29,091	-
Proceeds from disposal of financial assets, available for sale	-	68,315	-	78,584
Proceeds from disposal of financial assets, at fair value through profit and loss	135	690	135	690
Purchase of financial assets, fair value through profit and loss	-	-	-	(1,308)
Purchase of financial assets, available for sale	-	-	-	(64,815)
Dividend received from financial assets, available for sale	-	-	-	11,665
Refund of paid-up capital from joint venture	-	-	-	20,000
Interest received	6,396	9,214	24,183	20,682
<b>Net cash provided by/(used in) investing activities</b>	(33,650)	73,239	(154,925)	(55,160)
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	1,124,417	473,482	4,221,503	2,675,531
Repayment of borrowings	(391,952)	(528,382)	(2,834,987)	(2,846,468)
Redemption of convertible bonds	-	(309,200)	-	(586,000)
Interest paid	(51,272)	(51,507)	(199,974)	(172,652)
<b>Net cash provided by/(used in) financing activities</b>	681,193	(415,607)	1,186,542	(929,589)
<b>Net increase/( decrease) in cash and cash equivalents</b>	719,566	(266,625)	514,229	211,365
Cash and cash equivalents at beginning of the period	304,391	768,103	509,728	290,113
Effect of currency translation on cash and cash equivalents	(7,388)	8,250	(7,388)	8,250
<b>Cash and cash equivalents at end of the period</b>	1,016,569	509,728	1,016,569	509,728



**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>	<b>Capital reserve</b>	<b>Translation reserve</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	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	850	-	-	-	-	850
Total comprehensive income/(loss) for the period	-	-	(3,080)	-	83,381	80,301
<b>Balance as at 30 June 2011</b>	404,361	249,218	(15,449)	141,072	1,671,917	2,451,119
Total comprehensive income for the period	-	-	20,895	-	96,692	117,587
<b>Balance as at 30 September 2011</b>	404,361	249,218	5,446	141,072	1,768,609	2,568,706
Total comprehensive income/(loss) for the period	-	-	4,223	-	(170,052)	(165,829)
<b>Balance as at 31 December 2011</b>	404,361	249,218	9,669	141,072	1,598,557	2,402,877

<b>The Group</b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Fair Value reserve</b>	<b>Translation reserve</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	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	-	-	(7,835)	(988)	-	117,166	108,343
<b>Balance as at 31 December 2010</b>	403,511	249,218	-	(7,933)	141,072	1,610,629	2,396,497

<b>The Company</b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> 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	850	-	-	850
Total comprehensive income for the period	-	-	15,148	15,148
<b>Balance as at 30 June 2011</b>	2,110,197	249,218	(33,929)	2,325,486
Total comprehensive loss for the period	-	-	(27,148)	(27,148)
<b>Balance as at 30 September 2011</b>	2,110,197	249,218	(61,077)	2,298,338
Total comprehensive loss for the period	-	-	(23,438)	(23,438)
<b>Balance as at 31 December 2011</b>	2,110,197	249,218	(84,515)	2,274,900

<b>The Company</b>	<b>Share capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair value reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> 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
Total comprehensive loss for the period	-	-	(7,835)	39,728	31,893
<b>Balance as at 31 December 2010</b>	2,109,347	249,218	-	(51,441)	2,307,124

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>	31/12/2011	31/12/2010
Number of ordinary shares as at 1 Oct	550,156,703	549,853,930
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 31 December	550,156,703	549,853,930

<b>Convertible Bonds as at</b>	31/12/2011	31/12/2010
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>	31/12/2011	31/12/2010
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 as 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			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Net (loss)/ profit for the period	(170,052)	117,166	(12,072)	326,554
Basic(losses)/ earnings per share (in RMB )	(0.31)	0.21	(0.02)	0.60
Diluted (losses)/ earnings per share (in RMB)	(0.30)	0.19	(0.05)	0.54
Weighted average no. of shares outstanding for basic earnings per share	550,156,703	549,853,930	550,080,388	544,278,733
Weighted average no. of shares outstanding for diluted earnings per share	614,054,823	614,054,823	613,978,508	608,479,620

**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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Net Asset Value per share (RMB)	4.37	4.36	4.14	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**

**4Q2011 vs 4Q2010**

**Revenue**

Revenue decreased from RMB2641.3 million in 4Q2010 to RMB2250.2 million in 4Q2011 representing a decrease of RMB391.1 million or 14.8%. The decrease in revenue was principally attributed to the decrease in the sales volume arising from the weaker demand of Hot Rolled Coils ("HRC") in PRC as well as a decrease in the average selling prices of HRC in 4Q2011 as compared to the previous corresponding period.

In 4Q2011 the Group sold 545,171 tonnes of HRC and 584 tonnes of steel billets as compared to 653,220 tonnes of HRC and 3,417 tonnes of steel billets in 4Q2010. Overall sales quantity decreased by 110,882 tonnes or 16.9%.

The Group also sold 4,374 tonnes of mill rolls in 4Q2011 as compared to 1,662 tonnes of mill rolls in 4Q2010. Revenue from mill rolls accounted for approximately 1.3% of the Group's revenue in 4Q2011.

**Cost of sales**

Cost of sales decreased by RMB149.3 million or 6.0% from RMB 2472.5 million in 4Q2010 to RMB2323.2 million in 4Q2011. The decrease in cost of sales in terms of percentage did not fall in tandem with the decrease in volume of HRC sold in 4Q2011 due to higher prices for raw materials which were contracted earlier and the impairment charge of RMB 15.0 million on property, plant and equipment in respect of the mill roll production facilities in 4Q2011.

**Gross loss**

Gross loss was RMB73.0 million in 4Q2011 compared to the gross profit of RMB168.7 million in 4Q2010 primarily due to the higher cost of sales in 4Q2011 as described above and a decrease in prices and the volume of HRC sold due to weaker operating environment in 4Q2011.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB1.1 million from RMB2.0 million in 4Q2010 to RMB3.1 million in 4Q2011 primarily due to higher personnel expenses resulting from increased employee salaries and related expenses in 4Q2011.

## **Administrative expenses**

Administrative expenses increased by RMB32.0 million from RMB 31.7 million in 4Q2010 to RMB63.7 million in 4Q2011. The increase was primarily due to the increase in legal and professional fees in ongoing corporate projects in 4Q2011.

The increase was also due to the increase in social security contributions to comply with stricter social security contribution requirements.

## **Finance expenses**

Despite higher interest rates on borrowings as well as an increase in bank borrowings drawdown for working capital purposes in 4Q2011, finance expenses decreased by RMB7.7 million from RMB62.5 million in 4Q2010 to RMB54.8 million in 4Q2011. The decrease was primarily due to overall lower interest expense on convertible bonds in 4Q2011 after the Group fully redeemed the convertible bonds (Restricted) in December 2010.

## **Net loss**

Reflecting the decrease in sales of HRC in 4Q2011 and the higher costs of sales, the Group posted a net loss of RMB 170.1 million compared to a net profit of RMB117.2 million in 4Q2010.

## **FY2011 vs FY2010**

### **Revenue**

Despite lower sales volume of HRC sold in 1Q2011 resulting from the 5-week maintenance programme carried out at two of the blast furnaces as well as a decrease in demand of HRC in 4Q2011, revenue increased from RMB9925.2 million in FY2010 to RM10,442.6 million in FY2011, representing an increase of RMB517.4 million or 5.2%. The increase in revenue was principally attributed to higher average selling price of HRC for the first 9-month ended 2011 ("9M2011").

The Group sold 2,390,882 tonnes of HRC and 1,244 tonnes of steel billets in FY2010 as compared to 2,554,866 tonnes of HRC and 17,353 tonnes of steel billets in FY2010. Overall sales volume decreased by 180,093 tonnes or 7.0%. The Group also sold 12,650 tonnes of mill rolls in FY2011 as compared to 5,763 tonnes of mill rolls in FY2010.

Revenue from mill rolls accounted for approximately 1.0% of the Group's revenue in FY2011.

### **Cost of sales**

Cost of sales increased by RMB897.3 million or 9.7% from RMB9214.8 million in FY2010 to RMB10,112.1 million in FY2011 principally attributable to the increase in the prices of raw materials in FY2011 compared with previous corresponding period.

## **Gross profit**

Gross profit decreased by RMB 380.0 million or 53.5% from RMB710.5 million in FY2010 to RMB330.5 million in FY2011.

Gross profit margin decreased by 4.0 percentage point from 7.2% in FY2010 to 3.2% in FY2011. The decrease was primarily due to the increase in raw materials prices which outpaced the rise in average selling prices of HRC. The decrease was also due to lower production output during the maintenance period of 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 RMB1.0 million from RMB10.6 million in FY2010 to RMB9.6 million in FY2011 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 increased by RMB14.9 million from RMB151.1 million in FY2010 to RMB166.0 million in FY2011. The increase was primarily due to the increase in legal and professional fees in ongoing corporate projects.

The increase was also due to increase in social security contributions to comply with stricter social security contribution requirements in 4Q2011.

## **Finance expenses**

Despite higher interest rates on borrowings as well as the increase in bank borrowings drawdown for working capital purposes in FY2011, finance expenses decreased by RMB3.7 million from RMB225.5 million in FY2010 to RMB221.8 million in FY2011. The decrease was primarily due to overall lower interest expense on convertible bonds in FY2011 after the Group fully redeemed the convertible bonds (Restricted) in December 2010.

## **Net loss**

Reflecting the higher cost of sales, the Group posted a net loss of RMB12.1 million in FY2011 compared to a net profit of RMB326.6 million in FY2010.

## **(b) Review of balance sheet of the Group as at 31 December 2011**

### **Current assets**

Current assets increased by RMB983.8 million from RMB3106.6 million as at 31 December 2010 to RMB4090.4 million as at 31 December 2011. The increase was primarily attributable to the increase in cash and cash equivalent, notes receivable as well as an increase in bank balances pledged with banks as security for borrowings and notes payable. The increase was partially offset by the decrease in inventories.

The increase in cash and cash equivalents was due to the increase in bank borrowings drawdown in December 2011.

### **Current liabilities**

Current liabilities increased by RMB636.1 million from RMB3580.5 million as at 31 December 2010 to RMB4216.6 million as at 31 December 2011. The increase was primarily attributable to the increase in bank borrowings drawdown including letters of credit for working capital purposes. 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 FY2011, 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 RMB151.5 million from non-current liabilities to current liabilities in FY2011. The convertible bonds are due for payment in June 2012.

### **Working capital**

The Group had improved its negative working capital position by RMB347.7 million from RMB474.0 million as at 31 December 2010 to RMB126.3 million as at 31 December 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 RMB151.5 million from non-current liabilities to current liabilities in FY2011.

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 RMB215.2 million from RMB3240.4 million as at 31 December 2010 to RMB3025.2 million as at 31 December 2011, primarily due to the decrease in property, plant and equipment from RMB3038.3 million as at 31 December 2010 to RMB2874.9 million as at 31 December 2011. The decrease 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 FY2011.

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



## **Non Current liabilities**

Non-current liabilities increased by RMB126.2 million from RMB369.9 million as at 31 December 2010 to RMB496.1 million as at 31 December 2011. The increase was mainly attributable to the increase in long-term bank borrowings for working capital purposes during the period under review.

The increase was partially offset by the reclassification of the convertible bonds of RMB151.5 million from non-current liabilities to current liabilities in FY2011.

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

### **4Q2011 vs 4Q2010**

#### **Net Cash Generated from Operating Activities**

Net cash generated from operating activities decreased by RMB3.7 million from RMB75.7 million in 4Q2010 to RMB72.0 million in 4Q2011. The decrease was primarily due to lower overall sales volumes combined with decreased advance payments from customers in 4Q2011. The decrease was partially offset by the decrease in inventories as well as the decrease in bank balances pledged with banks as security for borrowings in 4Q2011.

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

Net cash used in investing activities was RMB33.6 million in 4Q2011 primarily related to payments for construction expenses in respect of the co-generation power plant in Delong Steel Limited.

#### **Net Cash Generated from Financing Activities**

Net cash generated from financing activities was RMB681.2 million in 4Q2011. This was mainly attributable to the drawdown of short-term loans of RMB1124.4 million for working capital less principal and interest repayments of RMB443.2 million.

### **FY2011 vs FY2010**

#### **Net Cash Used In Operating Activities**

Net cash used in operating activities was RMB517.4 million in FY2011, compared to a net cash inflow of RMB1196.1 million in FY2010. The decrease was primarily due to lower overall sales volumes combined with decreased advance payments from customers in 4Q2011. The decrease was also due to the increase in bank balances pledged as security for bank borrowings and notes payable as well as an increase in notes receivable during the period under review.

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

Net cash used in investing activities was RMB154.9 million in FY2011 primarily related to technical enhancements to upgrade production facilities in Delong Steel Limited and for construction expenses in respect to co-generation power plant in Delong Steel. The net cash outflow was partially offset by proceeds received from disposal of investment property at 1 Changi South, Street 1.

## **Net Cash Generated From Financing Activities**

Net cash inflow from financing activities was RMB1186.5 million in FY2011. This was mainly attributable to the drawdown of short-term loans of RMB4221.5 million for working capital less principal and interest repayments of RMB3035.0 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 issued profit guidance on 17 February 2012 in which the directors said the Company will report a loss for the year ended 31 December 2011.

**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**

In the fourth quarter of 2011, the Group experienced a decrease in demand for HRC products in the PRC as well as significantly higher raw material prices, which outpaced the increase in average selling prices for HRC.

The Board expects difficulties to continue for the steel industry in 2012 as downstream demand remains soft.

Demand for HRC products is expected to come primarily from industrial end-users in the automobile, infrastructure, machinery and cold-rolled coil sectors. The Chinese Government's sustained efforts to build affordable homes should also continue to support demand from the construction sector.

In January 2012, the Group announced the proposed acquisition of 80% stake in Hebei-based Laiyuan County Aoyu Steel Co. Ltd. The transaction, when completed, is expected to strengthen Delong's position in a sector where consolidation remains a key agenda of the government, as laid out in its 12<sup>th</sup> 5-year Plan. The Group will also continue to explore and evaluate mergers and acquisitions activities to boost its competitiveness position.

In view of the above, the Board maintains a cautious outlook on the Group's financial performance.

**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 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.**

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 2011</b>	<u>Manufacturing</u> RMB'000	<u>Other</u> RMB'000	<u>Total</u> RMB'000
<b>REVENUE</b>			
Sales	10,462,153	-	10,462,153
Inter-segment sales	(19,575)	-	(19,575)
Sales to external parties	<u>10,442,578</u>	-	<u>10,442,578</u>
<b>Adjusted EBITDA*</b>	573,659	(3,242)	570,417
Depreciation	(351,220)	(247)	(351,467)
Impairment loss for property, plant and equipment	(17,420)	-	(17,420)
Unallocated:			
Finance expense			(221,754)
Gain on change in fair value of convertible bonds			12,369
Gain on change in fair value gain of convertible shares			20,738
Currency exchange loss on convertible shares			6,871
Profit before income tax			<u>19,754</u>
<b>Total assets</b>	<u>6,617,010</u>	<u>498,554</u>	<u>7,115,564</u>
Total assets includes:			
Additions to property, plant and equipment	208,334	-	208,334
<b>Total liabilities</b>	<u>4,247,200</u>	<u>465,487</u>	<u>4,712,687</u>

<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	9,925,242	-	9,925,242
<b>Adjusted EBITDA*</b>	977,062	35,285	1,012,347
Depreciation	(343,045)	(357)	(343,402)
Impairment loss for property, plant and equipment	(40,985)	-	(40,985)
Unallocated:			
Share of profit of associated company			(100)
Finance expense			(225,515)
Gain on early redemption of convertible bonds			34,663
Gain on change in fair value of convertible bonds			11,918
Gain on change in fair value gain of convertible shares			19,521
Currency exchange loss on convertible shares			(6,159)
Profit before income tax			462,288
<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>

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

#### **By Geographical Segmentation-FY2011 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**

	FY2011	FY2010	Increase/ (Decrease)
	RMB'000	RMB'000	%
Sales reported for first half year	4,857,276	4,436,904	9.5
Profit after exceptional items and tax reported for the first half year	61,288	166,659	(63.2)
Sales reported for second half year	5,585,302	5,488,388	1.8
(Loss)/ Profit after exceptional items and tax reported for the second half year	(73,360)	159,895	(145.9)

**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. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholders of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must an appropriate negative statement.**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year

There are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director, chief executive officer or substantial shareholder of the Company.

## 18. Interested person transactions

No interested person transactions mandate has been obtained.

Aggregate value of interested person transactions entered from 1 January 2011 to 31 December 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	
	FY 2011 RMB'000	FY2010 RMB'000	FY 2011 RMB'000	FY2010 RMB'000
*Hebei Delong Modern Special Tube Manufacturing Co., Ltd	5,775	-	-	-

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

### BY ORDER OF THE BOARD

Ding Liguo  
Executive Chairman  
23 February 2012