



**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 second quarter ended 30 June 2012 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  
14 August 2012**

# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

## UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 2012

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

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

	The Group						
	Note	2 <sup>nd</sup> Quarter Ended		Increase	Half Year Ended		Increase
		30/06/2012	30/06/2011	(Decrease)	30/06/2012	30/06/2011	(Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	
<b>Sales</b>		4,007,781	3,281,693	22.1	6,419,306	4,857,276	32.2
Cost of sales		(3,730,601)	(3,121,680)	19.5	(6,085,925)	(4,657,670)	30.7
<b>Gross Profit</b>		<b>277,180</b>	<b>160,013</b>	<b>73.2</b>	<b>333,381</b>	<b>199,606</b>	<b>67.0</b>
Other Income	1	10,184	12,480	(18.4)	28,884	20,525	40.7
Other (losses)/gains-net	2	(8,910)	24,744	nm	(1,319)	47,572	nm
<b>Expenses</b>							
-Distribution and marketing		(1,982)	(3,722)	(46.7)	(3,550)	(4,894)	(27.5)
-Administrative		(61,068)	(34,247)	78.3	(102,342)	(65,447)	56.4
-Finance		(56,416)	(46,340)	21.7	(110,281)	(115,866)	(4.8)
<b>Profit before tax and exceptional items</b>	3	158,988	112,928	40.8	144,773	81,496	77.6
<b>Exceptional items</b>							
-Negative goodwill	4	25,364	-	100.0	25,364	-	100.0
<b>Profit before tax</b>		184,352	112,928	63.2	170,137	81,496	108.8
Income tax expense	5	(9,082)	(29,547)	(69.3)	(9,160)	(20,208)	(54.7)
<b>Net Profit</b>		<b>175,270</b>	<b>83,381</b>	<b>110.2</b>	<b>160,977</b>	<b>61,288</b>	<b>162.7</b>
<b>Profit attributable to:</b>							
Shareholder of the Company		<b>166,173</b>	83,381	99.3	<b>151,880</b>	61,288	147.8
Non-controlling interest		<b>9,097</b>	-	100.0	<b>9,097</b>	-	100.0
		<b>175,270</b>	<b>83,381</b>	<b>110.2</b>	<b>160,977</b>	<b>61,288</b>	<b>162.7</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Net profit</b>	<b>175,270</b>	<b>83,381</b>	<b>110.2</b>	<b>160,977</b>	<b>61,288</b>	<b>162.7</b>
<b>Other comprehensive income/ (loss):</b>						
Currency translation differences	2,995	(3,080)	nm	(5,465)	(7,516)	(27.3)
<b>Other comprehensive income for the period, net of tax</b>	<b>2,995</b>	<b>(3,080)</b>	<b>nm</b>	<b>(5,465)</b>	<b>(7,516)</b>	<b>(27.3)</b>
<b>Total comprehensive income</b>	<b>178,265</b>	<b>80,301</b>	<b>120.0</b>	<b>155,512</b>	<b>53,772</b>	<b>189.2</b>
<b>Total comprehensive income attributable to:</b>						
Shareholders of the Company	169,168	80,301	110.7	146,415	53,772	172.3
Non-controlling interest	9,097	-	100.0	9,097	-	100.0
	<b>178,265</b>	<b>80,301</b>	<b>120.0</b>	<b>155,512</b>	<b>53,772</b>	<b>189.2</b>

*nm-not meaningful*

The Company refers to its announcement on 2 April 2012 in relation to the completion of acquisition of 80% of the equity stake in Laiyuan Country Aoyu Steel Co., Ltd (“Aoyu steel”). With effect from 1 April 2012, Aoyu Steel becomes 80% subsidiary of the Company. The results of Aoyu Steel for the second quarter ended 30 June 2012 (2Q2012) had been consolidated into the Group and this had consequentially lead to an increase in both revenue and operating expenses of the Group.

In accordance with the terms as set out in the Equity Agreement, within three years from the completion date and subject to Aoyu Steel keeping its business registration and continuous production, the Company shall acquire the remaining 20% equity interest in Aoyu Steel held by the Vendor. Hence, a liability representing the Company’s expected obligation for the remaining 20% interest in Aoyu Steel has also been set up at 30 June 2012.

The fair value of the acquired identifiable net assets has been provisionally determined pending receipt of the final valuation reports from the independent valuers.

### Notes to the Income Statements

#### 1 Other Income

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RMB’000	RMB’000	RMB’000	RMB’000
Finance lease income	2,837	3,900	6,043	7,767
Interest income <sup>(a)</sup>	5,316	7,953	20,810	11,516
Dividend income	2,031	-	2,031	-
Rental income from investment property <sup>(b)</sup>	-	627	-	1,242
	<b>10,184</b>	<b>12,480</b>	<b>28,884</b>	<b>20,525</b>

Notes:

(a) The increase in interest income for the six months ended 30 June 2012 (“1H2012”) was due mainly to the increase in interest earned on the entrusted loan to customer and bank deposits.

(b) The Group divested its investment property in FY2011.

## 2 Other (losses)/ gains-net

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of financial assets, available- for- sale	-	-	59	-
Fair value (loss)/gain- financial assets at fair value through profit or loss	(49)	(155)	34	(349)
Currency translation (loss) gain-net <sup>(a)</sup>	(9,508)	12,968	(2,755)	20,993
Gain on change in fair value of convertible bonds <sup>(b)</sup>	-	5,178	1	10,797
(Loss)/gain on change in fair value of convertible shares <sup>(c)</sup>	(1,610)	8,104	(1,531)	15,017
Loss on disposal of property, plant and equipment ("PPE")	(2,511)	(776)	(2,845)	(833)
Others	4,768	(575)	5,718	1,947
	<u>(8,910)</u>	<u>24,744</u>	<u>(1,319)</u>	<u>47,572</u>

Notes:

- (a)The currency translation loss was due mainly to the revaluation of bank balances denominated in SGD and AUD which were weakened against RMB in 2Q2012 and 1H2012 as compared to previous year's corresponding period.
- (b)The gain was due to the quarterly revaluation of derivatives embedded to the convertible bonds.
- (c)The (loss)/gain was due to the quarterly revaluation of derivatives embedded to the convertible shares

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

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization <sup>(a)</sup>	107,337	85,798	197,312	172,708
Staff costs <sup>(b)</sup>	99,827	49,103	147,932	87,560
Operating lease rental	90	220	181	438

Notes:

- (a)The increase in depreciation and amortization was due mainly to a consolidated RMB14.8 million in depreciation expenses from Aoyu Steel.
- (b)Staff costs increased due mainly to higher personnel expenses resulting from increased employee salaries coupled with the consolidation of staff costs of Aoyu Steel.

## 4. Exceptional items

This relates to provisional negative goodwill arising from the acquisition of Aoyu Steel.

## 5. Income Tax Expense

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense is made up of:				
- Provision on the profit for the financial year				
Current income tax				
-Foreign	42,217	17,203	41,682	18,860
Deferred income tax	-	12,253	629	1,257
Adjustments in respect of the preceding financial years				
-Current income tax	(33,135)	91	(33,151)	91
	<u>9,082</u>	<u>29,547</u>	<u>9,160</u>	<u>20,208</u>

Income tax expense in 2Q2012 included write-back of over-provision for taxation in respect of prior year amounting to RMB33.4 million.

**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 30/06/2012	As at 31/12/2011	As at 30/06/2012	As at 31/12/2011
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		417,679	1,016,569	27,585	199,772
Bank balances pledged		863,246	713,653	-	-
Financial assets, at fair value through profit and loss		483	657	483	657
Trade and other receivables	1	1,357,249	615,176	43	69
Inventories	2	1,016,220	1,226,441	-	-
Other current assets	3	524,117	517,858	843	148
		4,178,994	4,090,354	28,954	200,646
<b>Non-current assets</b>					
Trade and other receivables	4	92,306	97,221	645,066	631,376
Investments in subsidiaries		-	-	1,884,916	1,884,916
Financial assets, available-for-sale	5	20,000	20,000	-	-
Property, plant and equipment		3,132,818	2,874,902	49	57
Intangible assets	6	34,920	-	-	-
Deferred income tax assets		34,015	33,087	-	-
		3,314,059	3,025,210	2,530,031	2,516,349
<b>Total assets</b>		<b>7,493,053</b>	<b>7,115,564</b>	<b>2,558,985</b>	<b>2,716,995</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	7	1,745,743	1,409,195	9,821	12,098
Notes payables		316,839	390,000	-	-
Borrowings		2,499,451	2,236,299	35,128	34,770
Convertible bonds	8	-	151,453	-	151,453
Current income tax liabilities		-	29,666	-	-
		4,562,033	4,216,613	44,949	198,321
<b>Non-current liabilities</b>					
Borrowings		156,660	368,478	140,497	139,067
Convertible shares		115,413	104,707	115,412	104,707
Put option gross liability	9	71,328	-	-	-
Deferred income tax liabilities		22,889	22,889	-	-
		366,290	496,074	255,909	243,774
<b>Total liabilities</b>		<b>4,928,323</b>	<b>4,712,687</b>	<b>300,858</b>	<b>442,095</b>
<b>NET ASSETS</b>		<b>2,564,730</b>	<b>2,402,877</b>	<b>2,258,127</b>	<b>2,274,900</b>
<b>CAPITAL AND RESERVE</b>					
Share capital		404,361	404,361	2,110,197	2,110,197
Reserves		2,073,603	1,998,516	147,930	164,703
		2,477,964	2,402,877	2,258,127	2,274,900
Non-controlling interest		86,766	-	-	-
<b>Total equity</b>		<b>2,564,730</b>	<b>2,402,877</b>	<b>2,258,127</b>	<b>2,274,900</b>

## Notes to the Balance Sheet

### 1. Trade and other receivables - current

	The Group	
	30/06/2012	31/12/2011
	RMB'000	RMB'000
Finance lease receivables	87,109	104,157
Trade receivables	111,657	48,192
Notes receivable	1,158,483	462,827
	<u>1,357,249</u>	<u>615,176</u>

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

As at 30 June 2012, 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	
	30/06/2012	31/12/2011
	RMB'000	RMB'000
Raw materials	634,430	854,893
Work-in-progress	99,671	166,468
Finished goods	139,676	112,390
Production supplies	142,443	92,690
	<u>1,016,220</u>	<u>1,226,441</u>

The decrease in inventories was due primarily to better inventory management.

### 3. Other current assets

	The Group	
	30/06/2012	31/12/2011
	RMB'000	RMB'000
Deposits	271	785
Prepayments	277,411	145,946
Entrusted loan to customer	95,000	65,000
Amount refundable from supplier	-	192,093
Tax recoverable	56,727	37,862
Due from Shijiazhuang New Century Coal Industrial Group Co., Ltd	10,000	-
Other	84,708	76,172
	<u>524,117</u>	<u>517,858</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	
	30/06/2012 RMB'000	31/12/2011 RMB'000
Finance lease receivables	42,967	73,751
Due from an investee company	23,470	23,470
Due from Shijiazhuang New Century Coal Industrial Group Co., Ltd	24,396	-
Due from Lai Yuan Bureau of Finance	1,473	-
	<u>92,306</u>	<u>97,221</u>

5. 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.

6. This relates to provisional intangible asset (i.e., Customer relationships) arising from the acquisition of Aoyu Steel.

7. Trade and other payables

	The Group	
	30/06/2012 RMB'000	31/12/2011 RMB'000
*Trade payables to:		
- Third parties <sup>(a)</sup>	1,083,738	690,229
VAT and other taxes payable	3,640	65,811
Payable to contractors for construction-in-progress	-	105,460
Advances from customers <sup>(b)</sup>	527,722	410,628
Other accrual for operating expenses	40,964	44,965
Accrual for interest expense	7,805	33,559
Staff and workers' bonus and welfare fund	29,945	18,503
Deposits from staff and workers	-	1,276
Due to directors (non-trade)	249	659
Deferred income	9,344	10,177
Other payables <sup>(c)</sup>	42,336	27,928
	<u>1,745,743</u>	<u>1,409,195</u>

Notes:

(a) The increase in trade payables was due primarily to lower usage of bank notes payable for payment to creditors and suppliers coupled with a consolidated RMB121.3 million in trade payables of Aoyu Steel.

(b) 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.

(c) The increase was due primarily to a consolidated RMB10.4 million in other payables from Aoyu Steel.

8. The convertible bonds were fully paid on 8 June 2012.

9. This represents the Company's future obligation to acquire the remaining 20% interest in Aoyu Steel.



**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 30/06/2012	As at 31/12/2011
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
2,269,451	230,000	1,088,369	1,299,383

**Amount repayable after one year**

As at 30/06/2012	As at 31/12/2011
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
140,497	131,576	249,067	224,118

**Details of any collateral**

The Group's borrowings are secured by certain property, plant and equipment and investment property of the Group.

Borrowings amounting to RMB1,063,891,000 (2011: RMB 1,117,713,683) were guaranteed by third parties. Borrowings amounting to RMB887,068,000 (2011:RMB10,583,122) were guaranteed by related 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**

	Note	The Group			
		2 <sup>nd</sup> Quarter Ended		Half Year Ended	
		30/06/2012	30/06/2011	30/06/2012	30/06/2011
		RMB '000	RMB '000	RMB '000	RMB '000
<b>Cash flows from operating activities:</b>					
Profit after income tax		175,270	83,381	160,977	61,288
Adjustments for:					
Depreciation		105,882	85,798	195,857	172,708
Amortisation of intangible asset		1,455	-	1,455	-
Negative goodwill arising from acquisition of a subsidiary		(25,364)	-	(25,364)	-
Loss on disposal of property, plant and equipment		2,511	776	2,845	833
Fair value loss on financial assets, fair value through profit or loss		49	155	(34)	349
Gain on disposal of financial assets, fair value through profit or loss		-	-	(59)	-
Fair value gain on convertible bonds		-	(5,178)	(1)	(10,797)
Fair value gain on convertible shares		1,610	(8,104)	1,531	(15,017)
Exchange loss on convertible shares		(492)	519	2,841	2,341
Dividend income		(2,031)	-	(2,031)	-
Interest income		(5,316)	(7,953)	(20,810)	(11,516)
Interest expense		56,416	46,340	110,281	115,866
Income tax expense		9,082	29,547	9,160	20,208
Unrealised currency translation (gain)/loss		4,047	(3,205)	(4,301)	(7,875)
		147,849	138,695	271,370	267,100
<b>Operating cash flow before working capital changes</b>		323,119	222,076	432,347	328,388
Bank balances pledged		(80,012)	17,934	(149,593)	(848,864)
Receivables		(297,456)	133,433	(501,472)	67,519
Inventories		370,961	(376,129)	392,116	(344,151)
Payables		(282,035)	43,998	(118,938)	644,268
		(288,542)	(180,764)	(377,887)	(481,228)
<b>Cash used in operating activities</b>		34,577	41,312	54,460	(152,840)
Income tax paid		(54,598)	(183)	(55,780)	(29,867)
<b>Net cash provided by/(used in) operating activities</b>		(20,021)	41,129	(1,320)	(182,707)
<b>Cash flows from investing activities:</b>					
Payments for property, plant and equipment		-	(37,460)	-	(73,264)
Proceeds from disposal of financial assets, fair value through profit or loss		-	-	285	-
Acquisition of a subsidiary, net of cash acquired	A	(272,093)	-	(272,093)	-
Disposal of a subsidiary, net of cash disposed of		2,700	-	2,700	-
Dividend received		2,031	-	2,031	-
Interest received		5,316	7,953	20,810	11,516
<b>Net cash used in investing activities</b>		(262,046)	(29,507)	(246,267)	(61,748)
<b>Cash flows from financing activities:</b>					
Proceeds from borrowings		415,464	1,022,548	1,754,215	2,036,400
Repayment of borrowings		(545,857)	(788,372)	(1,850,116)	(1,557,272)
Repayment of convertible bonds		(155,300)	-	(155,300)	-
Interest paid		(53,359)	(39,080)	(100,102)	(101,386)
<b>Net cash (used in)/provided by financing activities</b>		(339,052)	195,096	(351,303)	377,742
<b>Net (decrease)/increase in cash and cash equivalents</b>		(621,119)	206,718	(598,890)	133,287
Cash and cash equivalents at beginning of the period		1,038,798	436,297	1,016,569	509,728
<b>Cash and cash equivalents at end of the period</b>		417,679	643,015	417,679	643,015

## Note to the Consolidated Statement of Cash flows

### A. Acquisition of a subsidiary

On 1 April 2012, the Group acquired 80% equity stake in Aoyu Steel.

Details of the purchase consideration, the assets acquired and liabilities assumed, the non-controlling interest recognized and the effects on the cash flows of the Group, at the acquisition date, are as follows:-

Identifiable assets acquired and liabilities assumed	RMB'000
Cash and cash equivalents	13,220
Property, plant and equipment	467,608
Investment in a subsidiary	900
Inventories	180,660
Trade and other receivables	280,125
Trade and other payables	(245,928)
Notes payable	(179,900)
Borrowings	(150,000)
Current tax liabilities	( 10,044)
Total identifiable net assets	356,641
Minority interest attributable to net assets acquired	(71,328)
Purchase consideration	285,313
Cash and cash equivalents in subsidiary acquired	(13,220)
Cash outflow on acquisition	272,093

### 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

<u>The Group</u>	Share capital	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
<b>Balance as at 1 January 2012</b>	404,361	249,218	9,669	141,072	1,598,557	2,402,877	-	2,402,877
Total comprehensive loss for the period	-	-	(8,460)	-	(14,293)	(22,753)	-	(22,753)
<b>Balance as at 31 March 2012</b>	404,361	249,218	1,209	141,072	1,584,264	2,380,124	-	2,380,124
Acquisition of a subsidiary	-	-	-	-	-	-	77,669	77,669
Put option gross liability	-	(71,328)	-	-	-	(71,328)	-	(71,328)
Total comprehensive income for the period	-	-	2,995	-	166,173	169,168	9,097	178,265
<b>Balance as at 30 June 2012</b>	404,361	177,890	4,204	141,072	1,750,437	2,477,964	86,766	2,564,730

<u>The Group</u>	Share capital	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	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	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

<b><u>The Company</u></b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Balance as at 1 January 2012</b>	2,110,197	249,218	(84,515)	2,274,900
Total comprehensive loss for the period	-	-	(4,135)	(4,135)
<b>Balance as at 31 March 2012</b>	2,110,197	249,218	(88,650)	2,270,765
Total comprehensive loss for the period	-	-	(12,638)	(12,638)
<b>Balance as at 30 June 2012</b>	2,110,197	249,218	(101,288)	2,258,127

<b><u>The Company</u></b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	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

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 2<sup>nd</sup> Quarter Ended</b>	30/06/2012	30/06/2011
Number of ordinary shares as at 1 April	550,156,703	549,853,930
Shares arising from conversion of convertible shares	-	302,773
Number of ordinary shares as at 30 June	550,156,703	550,156,703

<b>Convertible Bonds as at</b>	30/06/2012	30/06/2011
Number of shares that maybe issued on conversion of all outstanding convertible bonds	-	34,247,973

<b>Convertible Shares as at</b>	30/06/2012	30/06/2011
Number of shares that maybe issued on conversion of all outstanding convertible shares	29,650,150	29,650,150

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

The Company has no treasury shares.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not Applicable

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been reviewed or audited by our auditors.

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

Not Applicable

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the year ended 31 December 2011.

**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			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	166,173	83,381	151,880	61,288
Basic earnings per share (in RMB)	0.30	0.15	0.28	0.11
Diluted earnings per share (in RMB)	0.29	0.14	0.28	0.10
Weighted average no. of shares outstanding for basic earnings per share	550,156,703	550,150,049	550,156,703	550,002,807
Weighted average no. of shares outstanding for diluted earnings per share	579,806,853	614,048,169	579,806,853	613,900,928

## 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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Net Asset Value per share (RMB)	4.50	4.37	4.10	4.14

Net asset value per share for the Group and Company is calculated based on 550,156,703 ordinary shares in issue as at 30 June 2012 and 31 December 2011 respectively.

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) Financial Review for second quarter and six months ended 30 June 2012**

**2Q2012 vs 2Q2011**

**Revenue**

In 2Q2012, Group revenue increased by RMB726.1 million or 22.1%, from RMB3,281.7 million, in 2Q2011 to RMB4,007.8 million. The increase was due mainly to maiden contributions from the newly acquired subsidiary, Aoyu Steel, which contributed revenue of RMB1,039.5 million to the Group for the period from 1 April to 30 June 2012. The principal activity of Aoyu Steel is in the manufacture and sales of steel billets.

Excluding Aoyu Steel, gross revenue for 2Q2012 was RMB2968.3 million or 9.6% lower than that of the corresponding period. The decrease was due mainly to a decrease in sales volume arising from weaker demand of Hot Rolled Coils ("HRC") in the PRC as well as a decrease in average selling prices of HRC.

In 2Q2012, the Group sold 690,571 tonnes of HRC and 330,185 tonnes of steel billets as compared to 727,524 tonnes of HRC and 151 tonnes of steel billets in 2Q2011. Overall sales quantity increased by 293,081 tonnes or 40.3% having included those sold by Aoyu Steel.

**Cost of sales**

Total cost of sales increased by RMB608.9 million or 19.5%, from RMB3,121.7 million in 2Q2011, to RMB3,730.6 million in 2Q2012, having included RMB 961.4 million in cost of sales from Aoyu Steel.

Excluding Aoyu Steel, cost of sales for 2Q2012 was RMB2,769.2 million or 11.2 % lower than that of the corresponding period, mainly due to the decrease in raw material prices and lower volume of HRC sold.

**Gross profit**

Gross profit increased by RMB117.2 million, from RMB160.0 million in 2Q2011, to RMB277.2 million in 2Q2012 due mainly to contributions of RMB78.1 million from Aoyu Steel.

Gross profit margin increased by 2.0%, from 4.9% in 2Q2011, to 6.9% in 2Q2012 due primarily to the decrease in raw materials prices in 2Q2012, which outpaced the decrease in average selling price of products sold.

**Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB 1.7 million, from RMB3.7 million in 2Q2011, to RMB2.0 million in 2Q2012, due primarily to the decrease in general distribution and marketing expenses.

**Administrative expenses**

Administrative expenses increased by RMB26.9 million from RMB34.2 million in 2Q2011 to RMB61.1 million in 2Q2012. The increase was due primarily to higher payroll related expenses, travelling, office related expenses coupled with a consolidated RMB 14.3 million in administrative expenses from Aoyu steel.

**Finance expenses**

Finance expenses increased by RMB10.1 million, from RMB46.3 million in 2Q2011, to RMB56.4 million in 2Q2012. The increase was due mainly to an additional RMB9.7 million in consolidated finance expenses from Aoyu Steel.

**Net profit**

In 2Q2012, after taking into account taxation and non-controlling interest, the Group's net profit attributable to shareholders increased by RMB82.8 million or 99.3% from RMB83.4 million in 2Q2011, to RMB166.2 million. The increase was due to higher operating profit in 2Q2012 coupled with the consolidation of results of Aoyu Steel for 2Q2012 as well as the negative goodwill of RMB25.4 million arising from the acquisition of Aoyu Steel. Aoyu steel contributed a net profit of RMB45.5 million to the Group in 2Q2012.

Net profit margin increased by 1.9% from 2.5% in 2Q2011 to 4.4% in 2Q2012.

**1H2012 vs 1H2011****Revenue**

Group revenue increased by RMB1,562.0 million or 32.2%, from RMB4,857.3 million in 1H2011, to RMB6,419.3 million in 1H2012. The increase in revenue was due mainly to maiden contributions from the newly acquired subsidiary, Aoyu Steel, which contributed revenue of RMB1,039.5 million in 2Q2012 coupled with the increase in volume of HRC sold in 1H2012 as compared to the previous corresponding period.

In 1H2012 the Group sold 1,338,832 tonnes of HRC and 336,526 tonnes of steel billets as compared to 1,118,094 tonnes of HRC and 211 tonnes of steel billets in 1H2011. Overall sales volume increased by 557,053 tonnes or 49.8% having included those sold by Aoyu Steel.

**Cost of sales**

Total cost of sales increased by RMB1,428.2 million or 30.7%, from RMB4,657.7 million in 1H2011, to RMB6,085.9 million in 1H2012 having included RMB961.4 million in cost of sales from Aoyu Steel as well as the increase in volume of HRC sold in 1H2012.

**Gross profit**

Gross profit increased by RMB133.8 million or 67.0% from RMB199.6 million in 1H2011 to RMB333.4 million in 1H2012. Similar to the three months ended 30 June 2012, the increase was due mainly to contributions of RMB78.1 million from Aoyu Steel.

Gross profit margin increased by 1.1% from 4.1% in 1H2011 to 5.2% in 1H2012. The increase was primarily due to the decrease in raw material prices, which outpaced the decrease in average selling price of HRC sold.

**Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB1.3 million, from RMB4.9 million in 1H2011, to RMB3.6 million in 1H2012 due primarily to lower general distribution and marketing expenses in 1H2012.

**Administrative expenses**

Administrative expenses increased by RMB36.9 million, from RMB65.4 million in 1H2011, to RMB102.3 million in 1H2012. The increase was due primarily to higher payroll related expenses, travelling, office related expenses coupled with a consolidated RMB14.3 million in administrative expenses from Aoyu Steel.

**Finance expenses**

Finance expenses decreased by RMB5.6 million from RMB115.9 million in 1H2011 to RMB110.3 million in 1H2012. The decrease was primarily due to lower interest expense incurred on bills discounting in 1H2012 as compared to previous corresponding period, despite a consolidated RMB 9.7 million in finance expenses from Aoyu Steel.

**Net profit**

After taking into account taxation and non-controlling interest, the Group's net profit attributable to shareholders increased by RMB90.6 million or 147.8% from RMB61.3 million in 1H2011 to RMB151.9 million in 1H2012. Similar to the three months ended 30 June 2012, the increase was due to higher operating profit coupled with the consolidation of results of Aoyu Steel for 2Q2012 as well as the negative goodwill of RMB25.4 million arising from the acquisition of Aoyu Steel.

Net profit margin increased by 1.2% from 1.3% in 1H2011 to 2.5% in 1H2012.

**(b) Review of balance sheet of the Group as at 30 June 2012****Current assets**

Current assets increased by RMB88.6 million from RMB4,090.4 million as at 31 December 2011 to RMB4,179.0 million as at 30 June 2012. The increase was primarily attributable to the increase in notes receivable and was in line with the increase in revenue in 1H2012. This was also due to the increase in bank balances pledged with banks as security for borrowings and letters of credit as well as the increase in advance payments made to suppliers for the purchase of raw materials.

The increase was partially offset by the decrease in inventories and cash and cash equivalents.

**Current liabilities**

Current liabilities increased by RMB345.4 million from RMB4,216.6 million as at 31 December 2011 to RMB4,562.0 million as at 30 June 2012. The increase was primarily attributable to the increase in trade payables including letters of credit, as the Group increasingly financed its payments to creditors and suppliers through the use of letters of credit in 1H2012 as compared to relatively higher utilisation of notes payable to finance these payments in FY2011. The increase was also due to the maturity of non-current portions of the borrowings now reclassified to current liabilities.

The increase was partially offset by the payment in respect to the redemption of convertible bonds of RMB155.3 million in June 2012.



### **Working capital**

The negative working capital position was RMB383.0 million as at 30 June 2012. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure and working capital purposes.

Although the Group was in a 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**

Property, plant and equipment increased by RMB257.9 million, from RMB2,874.9 million as at 31 December 2011, to RMB3,132.8 million as at 30 June 2012, due primarily to the consolidation of property, plant and equipment of Aoyu Steel.

### **Non Current liabilities**

Non-current liabilities decreased by RMB129.8 million, from RMB496.1 million as at 31 December 2011, to RMB366.3 million as at 30 June 2012. The decrease was mainly attributable to non-current portions of borrowings now reclassified to current liabilities. This was partially offset by the Company's expected obligation to acquire the remaining 20% interest in Aoyu Steel.

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

### **2Q2012 vs 2Q2011**

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

Operating cashflow before working capital changes increased by RMB101.0 million, from RMB222.1 million in 2Q2011, to RMB323.1 million in 2Q2012. The increase was due primarily to the increase in operating profit. Net cash generated from operating activities decreased by RMB61.1 million from the positive cash flow of RMB41.1 million in 2Q2011 to a negative cash flow of RMB20.0 million in 2Q2012, attributable mainly to the increase in notes receivable and prepayments made to suppliers and a decrease in payables. This was partially offset by the decrease in inventories, due to better inventory management.

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

Net cash used in investing activities was RMB262.0 million in 2Q2012. This was due mainly to the payment of RMB272.1 million in respect of the acquisition of Aoyu Steel. The cash used in investing activities was partially offset by a dividend received from the Group's investment in Butai Mining Co., Ltd ("Butai Mining") as well as the proceeds from the disposal of Butai Mining during the period under review.

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

Net cash used in financing activities was RMB339.1 million in 2Q2012. This was mainly attributable to the drawdown of short-term loans of RMB415.5 million for working capital, loan principal and interest repayments of RMB599.2 million as well as the redemption of convertible bonds of RMB155.3 million during the period under review.

### **1H2012 vs 1H2011**

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

Operating cashflow before working capital changes increased by RMB103.9 million from RMB328.4 million in 1H2011 to RMB432.3 million in 1H2012. The increase was due primarily to the increase in operating profit. Net cash used in operating activities improved by RMB181.4 million from RMB182.7 million in 1H2011 to RMB1.3 million in 1H2012, attributable mainly to the decrease in inventories and bank

balances pledged with banks as security for borrowings and letters of credit. The decrease was partially offset by the increase in notes receivable and prepayments made to suppliers and a decrease in payables.

**Net Cash Used In Investing Activities**

Net cash used in investing activities was RMB246.3 million in 1H2012. This was due mainly to the payment of RMB 272.1 million in respect of the acquisition of Aoyu Steel. The cash used in investing activities was partially offset by a dividend received from the Group's investment in Butai Mining Co., Ltd ("Butai Mining") as well as the proceeds from the disposal of Butai Mining during the period under review

**Net Cash Used In Financing Activities**

Net cash used in financing activities was RMB351.3 million in 1H2012. This was mainly attributable to the drawdown of short-term loans of RMB1754.2 million for working capital, loan principal and interest repayments of RMB1950.2 million as well as the redemption of convertible bonds of RMB155.3 million during the period under review.

**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**

Amidst concerns of slowing economic growth in the PRC, coupled by the continued situation of over-supply and falling domestic prices in the steel industry, operating conditions within the PRC steel industry is expected to remain challenging over the near-term.

Nonetheless, the Group remains confident of the mid to long-term prospects of the PRC steel industry, as ongoing consolidation and the phasing out of inefficient capacity will continue to lay the foundation for long-term sustainable growth in the PRC steel industry.

The Group's new 80%-owned operating subsidiary - Laiyuan County Aoyu Steel Co. Ltd., has contributed to performance since April 2012. Moving forward, it is Delong's strategy to continue to explore and evaluate earnings-accretive acquisitions to boost the Group's competitiveness and production capabilities. In addition, the Group will leverage on its management expertise to improve its competitiveness.

**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 second quarter 30 June 2012.

**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 2012 to 30 June 2012.

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	
	1H2012 RMB'000	1H2011 RMB'000	1H2012 RMB'000	1H2011 RMB'000
<u>Sales Transactions</u> *Hebei Delong Modern Special Tube Manufacturing Co., Ltd	321	-	-	-

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

### BY ORDER OF THE BOARD

Ding Liguu  
Executive Chairman