



**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 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  
9 November 2012



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

## UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 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						
	3 <sup>rd</sup> Quarter Ended		Increase (Decrease) %	9 Months Ended		Increase (Decrease) %	
	30/09/2012	30/09/2011		30/09/2012	30/09/2011		
Note	RMB'000	RMB'000		RMB'000	RMB'000		
<b>Sales</b>	3,299,592	3,335,115	(1.1)	9,718,898	8,192,391	18.6	
Cost of sales	(3,176,269)	(3,131,256)	1.4	(9,262,194)	(7,788,926)	18.9	
<b>Gross Profit</b>	<b>123,323</b>	<b>203,859</b>	<b>(39.5)</b>	<b>456,704</b>	<b>403,465</b>	<b>13.2</b>	
Other Income	1	21,382	10,390	105.8	50,266	30,915	62.6
Other gains-net	2	4,264	7,846	(45.7)	2,945	55,418	(94.7)
<b>Expenses</b>							
-Distribution and marketing		(2,582)	(1,532)	68.5	(6,132)	(6,426)	(4.6)
-Administrative		(68,680)	(36,865)	86.3	(171,022)	(102,312)	67.2
-Finance		(55,273)	(51,072)	8.2	(165,554)	(166,938)	(0.8)
<b>Profit before tax and exceptional items</b>	3	22,434	132,626	(83.1)	167,207	214,122	(21.9)
<b>Exceptional items</b>							
-Negative goodwill	4	55,944	-	100.0	81,308	-	100.0
<b>Profit before tax</b>		78,378	132,626	(40.9)	248,515	214,122	16.1
Income tax expense	5	(22,999)	(35,934)	(36.0)	(32,159)	(56,142)	(42.7)
<b>Net Profit</b>		<b>55,379</b>	<b>96,692</b>	<b>(42.7)</b>	<b>216,356</b>	<b>157,980</b>	<b>37.0</b>
<b>Profit attributable to:</b>							
Equity holders of the Company		50,222	96,692	(48.1)	202,102	157,980	27.9
Non-controlling interest		5,157	-	100.0	14,254	-	100.0
		<b>55,379</b>	<b>96,692</b>	<b>(42.7)</b>	<b>216,356</b>	<b>157,980</b>	<b>37.0</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Net profit</b>	<b>55,379</b>	<b>96,692</b>	<b>(42.7)</b>	<b>216,356</b>	<b>157,980</b>	<b>37.0</b>
<b>Other comprehensive income:</b>						
Currency translation differences	(9,441)	20,895	n.m	(14,906)	13,379	n.m
<b>Other comprehensive income for the period, net of tax</b>	<b>(9,441)</b>	<b>20,895</b>	<b>n.m</b>	<b>(14,906)</b>	<b>13,379</b>	<b>n.m</b>
<b>Total comprehensive income</b>	<b>45,938</b>	<b>117,587</b>	<b>(60.9)</b>	<b>201,450</b>	<b>171,359</b>	<b>17.6</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	40,781	117,587	(65.3)	187,487	171,359	9.4
Non-controlling interest	5,157	-	100.0	13,963	-	100.0
	<b>45,938</b>	<b>117,587</b>	<b>(60.9)</b>	<b>201,450</b>	<b>171,359</b>	<b>17.6</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 principal activity of Aoyu Steel is in the manufacture and sales of billets. The results of Aoyu Steel for the period from 1 April 2012 to 30 September 2012 had been consolidated into the Group and this had subsequently lead to an increase in both the revenue and operating expenses of the Group.

Also, 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 future estimated obligation to acquire the remaining 20% interest in Aoyu Steel has also been set up as 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:-

#### 1 Other Income

	<b>The Group</b>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant	837	-	837	-
Finance lease income	2,342	3,757	8,385	11,524
Interest income <sup>(a)</sup>	18,203	6,271	39,013	17,787
Dividend income	-	-	2,031	-
Rental income from investment property <sup>(b)</sup>	-	362	-	1,604
	<b>21,382</b>	<b>10,390</b>	<b>50,266</b>	<b>30,915</b>

Notes:

(a) The increase in interest income for the three months ended 30 September 2012 (“3Q2012”) and nine months ended 30 September 2012 (“9M2012”) was due mainly to the increase in interest earned on the entrusted loan to a customer and bank deposits.

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

## 2 Other gains-net

	<b>The Group</b>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2012 RMB'000	30/09/2011 RMB'000	30/09/2012 RMB'000	30/09/2011 RMB'000
Gain on disposal of financial assets at fair value through profit and loss	-	-	59	-
Fair value gain/(loss)- financial assets at fair value through profit or loss	10	(200)	44	(549)
Currency translation (loss)/gain-net	1,327	(4,711)	(1,428) <sup>(a)</sup>	16,282
Fair value gain on convertible bonds <sup>(b)</sup>	-	1,246	1	12,043
Fair value gain on convertible shares <sup>(c)</sup>	1,762	2,565	231	17,582
Gain/(loss) on disposal of property, plant and equipment	33	13,556 <sup>(d)</sup>	(2,812)	12,723
Other	1,132	(4,610)	6,850	(2,933)
	<u>4,264</u>	<u>7,846</u>	<u>2,945</u>	<u>55,148</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 9M2012 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 gain was due to the quarterly revaluation of derivatives embedded to the convertible shares. Higher gain in 9M2011 was mainly due to lower Company's share price as at 30 September 2011.
- (d)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	
	30/09/2012 RMB'000	30/09/2011 RMB'000	30/09/2012 RMB'000	30/09/2011 RMB'000
Depreciation and amortization <sup>(a)</sup>	109,595	89,401	306,907	262,109
Salaries and wages <sup>(b)</sup>	81,998	47,240	229,930	134,800
Operating lease rental	81	172	262	610

### Notes:

- (a)The increase in depreciation and amortization in 3Q2012 and 9M2012 was due mainly to the consolidation of depreciation expenses of 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>			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense /(credit)				
-Foreign	25,940	41,331	67,622	60,191
Deferred income tax	(2,941)	(5,397)	(2,312)	(4,140)
(Over)/ Under provision in preceding financial years				
-Current income tax	-	-	(33,151)	91
	<u>22,999</u>	<u>35,934</u>	<u>32,159</u>	<u>56,142</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 30/09/2012	As at 31/12/2011	As at 30/09/2012	As at 31/12/2011
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		643,408	1,016,569	22,769	199,772
Bank balances pledged		490,586	713,653	-	-
Financial assets, at fair value through profit and loss		450	657	450	657
Held to maturity financial assets	1	100,000	-	-	-
Trade and other receivables	2	1,695,655	615,176	13	69
Inventories	3	757,600	1,226,441	-	-
Other current assets	4	580,622	517,858	2,069	148
		4,268,321	4,090,354	25,301	200,646
<b>Non-current assets</b>					
Trade and other receivables	5	80,549	97,221	551,581	631,376
Investments in subsidiaries		-	-	1,984,916	1,884,916
Financial assets, available-for-sale	6	20,000	20,000	-	-
Property, plant and equipment		3,165,106	2,874,902	65	57
Intangible assets	7	21,937	-	-	-
Deferred income tax assets		10,938	33,087	-	-
		3,298,530	3,025,210	2,536,562	2,516,349
<b>Total assets</b>		<b>7,566,851</b>	<b>7,115,564</b>	<b>2,561,863</b>	<b>2,716,995</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	8	1,999,965	1,409,195	8,137	12,098
Notes payables		358,694	390,000	-	-
Borrowings		2,217,754	2,236,299	34,786	34,770
Convertible bonds	9	-	151,453	-	151,453
Current income tax liabilities		-	29,666	-	-
		4,576,413	4,216,613	42,923	198,321
<b>Non-current liabilities</b>					
Borrowings		170,864	368,478	139,126	139,067
Convertible shares		121,029	104,707	121,029	104,707
Purchase consideration payable	10	71,328	-	-	-
Deferred income tax liabilities		22,889	22,889	-	-
		386,110	496,074	260,155	243,774
<b>Total liabilities</b>		<b>4,962,523</b>	<b>4,712,687</b>	<b>303,078</b>	<b>442,095</b>
<b>NET ASSETS</b>		<b>2,604,328</b>	<b>2,402,877</b>	<b>2,258,785</b>	<b>2,274,900</b>
<b>CAPITAL AND RESERVE</b>					
Share capital		404,361	404,361	2,110,197	2,110,197
Reserves		2,114,385	1,998,516	148,588	164,703
		2,518,746	2,402,877	2,258,785	2,274,900
Non-controlling interest		85,582	-	-	-
<b>Total equity</b>		<b>2,604,328</b>	<b>2,402,877</b>	<b>2,258,785</b>	<b>2,274,900</b>

**Notes:**

1. This relates to an investment in Bohai International Trust Co., Ltd. The unit trust bears interest at 8.1% per annum and is due on 12 September 2013.

2. Trade and other receivables - current

	The Group	
	30/09/2012	31/12/2011
	RMB'000	RMB'000
Finance lease receivables	85,894	104,157
Trade receivables	106,173	48,192
Notes receivable <sup>(a)</sup>	1,503,588	462,827
	<u>1,695,655</u>	<u>615,176</u>

(a) Higher notes receivable as at 30 September 2012 was because the Group did not make early redemptions of the notes due to improved cashflow position during the period under review coupled with a consolidated RMB315.5 million in notes receivable from Aoyu Steel.

As at 30 September 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.

3. Inventories

	The Group	
	30/09/2012	31/12/2011
	RMB'000	RMB'000
Raw materials	393,612	854,893
Work-in-progress	106,817	166,468
Finished goods	116,911	112,390
Production supplies	140,260	92,690
	<u>757,600</u>	<u>1,226,441</u>

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

4. Other current assets

	The Group	
	30/09/2012	31/12/2011
	RMB'000	RMB'000
Deposits	219	785
Prepayments	411,480	145,946
Entrusted loan to customer	90,000	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	12,196	76,172
	<u>580,622</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.

5. Trade and other receivables – non-current

	The Group	
	30/09/2012 RMB'000	31/12/2011 RMB'000
Finance lease receivables	31,210	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>80,549</u>	<u>97,221</u>

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

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

8. Trade and other payables

	The Group	
	30/09/2012 RMB'000	31/12/2011 RMB'000
*Trade payables to:		
- Third parties <sup>(a)</sup>	1,004,244	690,229
VAT and other taxes payable	48,432	65,811
Payable to contractors for construction-in-progress	-	105,460
Advances from customers <sup>(b)</sup>	816,276	410,628
Other accrual for operating expenses	58,913	44,965
Accrual for interest expense	12,266	33,559
Staff and workers' bonus and welfare fund	27,630	18,503
Deposits from staff and workers	-	1,276
Due to directors (non-trade)	122	659
Deferred income	8,928	10,177
Other payables <sup>(c)</sup>	23,154	27,928
	<u>1,999,965</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 RMB127.6 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.

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

10. This represents the Company's future estimated 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 30/09/2012	As at 31/12/2011
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
868,301	1,349,453	1,088,369	1,299,383

**Amount repayable after one year**

As at 30/09/2012	As at 31/12/2011
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
139,125	152,768	249,067	224,118

**Details of any collateral**

The Group's borrowings are secured by certain property, plant and equipment of the Group, and guaranteed by third-party and related-party

Borrowings amounting to RMB1,202,218,000 (2011: RMB 1,117,713,683) were guaranteed by third parties, whereas borrowings amounting to RMB1,089,888,000 (2011:RMB10,583,122) were guaranteed by related parties.

As at 30 September 2012, guarantees given to banks by the Group in respect of third parties' borrowings amounted to approximately RMB364,000,000.

**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			
		3 <sup>rd</sup> Quarter Ended		9 Months Ended	
		30/09/2012	30/09/2011	30/09/2012	30/09/2011
		RMB '000	RMB '000	RMB '000	RMB '000
<b>Cash flows from operating activities:</b>					
Profit after income tax		55,379	96,692	216,356	157,980
Adjustments for:					
Depreciation		108,613	89,401	304,470	262,109
Amortisation of intangible asset		982	-	2,437	-
Negative goodwill arising from acquisition of a subsidiary		(55,944)		(81,308)	-
(Gain)/loss on disposal of property, plant and equipment		(33)	(13,556)	2,812	(12,723)
Fair value loss on financial assets, fair value through profit or loss		(10)	200	(44)	549
Gain on disposal of financial assets, fair value through profit or loss		-	-	(59)	-
Gain on change in fair value of convertible bonds		-	(1,246)	(1)	(12,043)
Gain on change in fair value convertible shares		(1,762)	(2,565)	(231)	(17,582)
Exchange (gain)/loss on convertible shares		4,014	(8,296)	6,855	(5,955)
Dividend income		-	-	(2,031)	-
Interest income		(18,203)	(6,271)	(39,013)	(17,787)
Interest expense		55,273	51,072	165,554	166,938
Income tax expense		22,999	35,934	32,159	56,142
Unrealised currency translation (gain)/loss		(6,465)	20,195	(10,766)	12,320
		109,464	164,868	308,834	431,968
<b>Operating cash flow before working capital changes</b>		164,843	261,560	597,190	589,948
Bank balances pledged		372,660	317,648	223,067	(531,216)
Receivables		(351,005)	(368,407)	(852,477)	(300,888)
Inventories		258,524	85,998	650,640	(258,153)
Payables		252,576	(688,271)	133,638	(44,003)
		532,755	(653,032)	154,868	(1,134,260)
<b>Cash generated from/ (used in) operating activities</b>		697,598	(391,472)	752,058	(544,312)
Income tax paid		(15,562)	(17,274)	(71,342)	(47,141)
<b>Net cash generated from/(used in) operating activities</b>		682,036	(408,746)	680,716	(591,453)
<b>Cash flows from investing activities:</b>					
Payments for property, plant and equipment		(55,110)	(94,889)	(55,110)	(168,153)
Proceeds from disposal of investment property		-	31,133	-	31,133
Proceeds from disposal of financial assets, fair value through profit and loss		-	-	285	-
Purchase of held to maturity financial assets		(100,000)	-	(100,000)	-
Acquisition of a subsidiary, net of cash acquired	A	-	-	(272,093)	-
Disposal of a subsidiary, net of cash disposed of		-	-	2,700	-
Dividend received		-	-	2,031	-
Interest received		18,203	6,271	39,013	17,787
<b>Net cash used in investing activities</b>		(136,907)	(57,485)	(383,174)	(119,233)
<b>Cash flows from financing activities:</b>					
Proceeds from borrowings		743,535	1,060,686	2,497,750	3,097,086
Repayment of borrowings		(1,011,029)	(885,763)	(2,861,145)	(2,443,035)
Repayment of convertible bonds		-	-	(155,300)	-
Interest paid		(51,906)	(47,316)	(152,008)	(148,702)
<b>Net cash (used in)/ generated from financing activities</b>		(319,400)	127,607	(670,703)	505,349
<b>Net increase/(decrease) in cash and cash equivalents</b>		225,729	(338,624)	(373,161)	(205,337)
Cash and cash equivalents at beginning of the period		417,679	643,015	1,016,569	509,728
<b>Cash and cash equivalents at end of the period</b>		643,408	304,391	643,408	304,391

## Note to the Consolidated Statement of Cash flows

### A. Acquisition of a subsidiary

On 1 April 2012, the Group acquired a 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	546,488
Investment in a subsidiary	2,700
Inventories	181,799
Trade and other receivables	273,994
Trade and other payables	(245,928)
Notes payable	(179,900)
Borrowings	(147,235)
Current tax liabilities	( 31,565)
Total identifiable net assets	413,573
Add: Intangible assets	24,375
Less: negative goodwill	(81,308)
Less: Non controlling interest at net book value	(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	-	-	-	-	-	-	71,328	71,328
Purchase consideration payable	-	(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	80,425	2,558,389
Total comprehensive income for the period	-	-	(9,440)	-	50,222	40,782	5,157	45,939
<b>Balance as at 30 Sept 2012</b>	404,361	177,890	(5,236)	141,072	1,800,659	2,518,746	85,582	2,604,328

<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

#### The Company

	<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 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
Total comprehensive income for the period	-	-	658	658
<b>Balance as at 30 September 2012</b>	2,110,197	249,218	(100,630)	2,258,785

#### The Company

	<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	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 income 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

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>	30/09/2012	30/09/2011
Number of ordinary shares as at 1 July	550,156,703	550,156,703
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 30 September	550,156,703	550,156,703

<b>Convertible Bonds as at</b>	30/09/20121	30/09/2011
Number of shares that maybe issued on conversion of all outstanding convertible bonds	-	34,247,973
<b>Convertible Shares as at</b>	30/09/2012	30/09/2011
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 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 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			
	3 <sup>rd</sup> Quarter Ended		9 Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	50,222	96,692	202,102	157,980
Basic earnings per share (in RMB )	0.09	0.18	0.37	0.29
Diluted earnings per share (in RMB)	0.09	0.17	0.37	0.24
Weighted average no. of shares outstanding for basic earnings per share	550,156,703	550,156,703	550,156,703	550,054,670
Weighted average no. of shares outstanding for diluted earnings per share	579,806,853	614,054,823	579,806,853	613,952,790

**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	
	30/09/2012	31/12/2011	30/09/2012	31/12/2011
Net Asset Value per share (RMB)	4.58	4.37	4.11	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 September 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) **Review of income statement of the Group**

**3Q2012 vs 3Q2011**

**Revenue**

Despite contributions of RMB796.1 million from the newly acquired subsidiary, Aoyu Steel, Group revenue decreased by RMB35.5 million or 1.1%, from RMB3,335.1 million in 3Q2011, to RMB3,299.6 million in 3Q2012. 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.

Excluding Aoyu Steel, Group revenue would have been RMB2,503.5 million or 24.9% lower than that of the corresponding period.

In 3Q2012, the Group sold 663,243 tonnes of HRC and 289,148 tonnes of steel billets as compared to 727,618 tonnes of HRC and 451 tonnes of steel billets in 3Q2011. Overall sales quantity increased by 224,322 tonnes or 30.8% having included those sold by Aoyu Steel.

**Cost of sales**

Total cost of sales increased by RMB45.0 million or 1.4%, from RMB3,131.3 million in 3Q2011, to RMB3,176.3 million in 3Q2012, having included RMB 737.5 million in cost of sales from Aoyu Steel.

Excluding Aoyu Steel, cost of sales for 3Q2012 would have been RMB2,438.8 million or 22.1% lower than that of the corresponding period, mainly due to the decrease in raw material prices and lower volume of HRC sold.

**Gross profit**

Despite contributions of RMB58.5 million from Aoyu Steel, Group gross profit decreased by RMB80.6 million, from RMB203.9 million in 3Q2011, to RMB123.3 million in 3Q2012.

Gross profit margin decreased by 2.4%, from 6.1% in 3Q2011, to 3.7% in 3Q2012 due primarily to the decrease in average selling prices of products sold, which outpaced the decrease in raw materials prices in 3Q2012.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB1.1 million, from RMB1.5 million in 3Q2011, to RMB2.6 million in 3Q2012. The increase was due mainly to higher transportation expenses incurred as the Group commenced delivering its products to certain customers in 3Q2012 coupled with a consolidated RMB0.7 million in distribution and marketing expenses from Aoyu Steel.

**Administrative expenses**

Administrative expenses increased by RMB31.8 million from RMB36.9 million in 3Q2011 to RMB68.7 million in 3Q2012. The increase was due primarily to higher payroll related expenses, travelling, office related expenses coupled with a consolidated RMB 17.3 million in administrative expenses from Aoyu steel.

**Finance expenses**

Finance expenses increased by RMB4.2 million, from RMB51.1 million in 3Q2011, to RMB55.3 million in 3Q2012. The increase was due mainly to an additional RMB8.4 million in consolidated finance expenses from Aoyu Steel. Excluding Aoyu Steel, finance expenses for 3Q2012 would have been RMB46.9 million or 8.2% lower than that of the corresponding period, mainly due to lower interest expense incurred on bills discounting.

### **Net profit**

Despite contributions of RMB26.8 million from Aoyu Steel in 3Q2012 as well as the negative goodwill of RMB55.9 million arising from the acquisition of Aoyu Steel, the Group's net profit attributable to equity holders decreased by RMB46.5 million or 48.1% from RMB96.7 million in 3Q2011, to RMB50.2 million in 3Q2012. The decrease was mainly due to lower operating profit as mentioned above.

Net profit margin decreased by 1.2% from 2.9% in 3Q2011 to 1.7% in 3Q2012.

### **9M2012 vs 9M2011**

#### **Revenue**

Group revenue increased by RMB1,526.5 million or 18.6%, from RMB8,192.4 million in 9M2011, to RMB9,718.9 million in 9M2012. The increase in revenue was due mainly to maiden contributions from the newly acquired subsidiary, Aoyu Steel, which contributed revenue of RMB1,835.6 million for the period from 1 April to 30 September 2012.

Excluding Aoyu Steel, Group revenue for 9M2012 would have been RMB7,883.3 million or 3.8% lower than that of the corresponding period. The decrease was due mainly to a decrease in average selling prices of HRC in 9M2012, despite an increase in the volume of HRC sold in 9M2012.

In 9M2012, the Group sold 2,002,075 tonnes of HRC and 625,674 tonnes of steel billets as compared to 1,845,711 tonnes of HRC and 660 tonnes of steel billets in 9M2011. Overall sales volume increased by 781,378 tonnes or 42.3% having included those sold by Aoyu Steel.

#### **Cost of sales**

Total cost of sales increased by RMB1,473.3 million or 18.9%, from RMB7,788.9 million in 9M2011, to RMB9,262.2 million in 9M2012 having included RMB1,698.9 million in cost of sales from Aoyu Steel.

Excluding Aoyu Steel, cost of sales for 9M2012 would have been RM7,563.3 million or 2.9 % lower than that of the corresponding period, mainly due to the decrease in raw material prices.

#### **Gross profit**

Gross profit increased by RMB53.2 million or 13.2% from RMB403.5 million in 9M2011 to RMB456.7 million in 9M2012. The increase was due mainly to contributions of RMB136.7 million from Aoyu Steel.

Excluding Aoyu Steel, gross profit for 9M2012 would have been RMB320.0 million or 20.7% lower than that of the corresponding period.

Gross profit margin decreased marginally by 0.2% from 4.9% in 9M2011 to 4.7% in 9M2012. The decrease was primarily due to the decrease in average selling prices of HRC sold, which outpaced the decrease in raw material prices.

#### **Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB0.3 million, from RMB6.4 million in 9M2011, to RMB6.1 million in 9M2012, despite a consolidated RMB1.0 million in distribution and marketing expenses from Aoyu Steel. The decrease was due to the decrease in general distribution and marketing expenses in 9M2012.

#### **Administrative expenses**

Administrative expenses increased by RMB68.7 million, from RMB102.3 million in 9M2011, to RMB171.0 million in 9M2012. The increase was due primarily to higher payroll related expenses, travelling, office related expenses coupled with a consolidated RMB31.5 million in administrative expenses from Aoyu Steel.



### **Finance expenses**

Finance expenses decreased by RMB1.3 million from RMB166.9 million in 9M2011 to RMB165.6 million in 9M2012. The decrease was primarily due to lower interest expense incurred on bills discounting in 9M2012 as compared to previous corresponding period, despite a consolidated RMB18.0 million in finance expenses from Aoyu Steel.

### **Net profit**

In 9M2012, after taking into account taxation and non-controlling interest, the Group's net profit attributable to equity holders increased by RMB44.1 million or 27.9% from RMB158.0 million in 9M2011 to RMB202.1 million in 9M2012. The increase was due to the consolidation of results of Aoyu Steel as well as the negative goodwill of RMB81.3 million arising from the acquisition of Aoyu Steel. Aoyu Steel contributed a net profit of RMB72.3 million to the Group for the period from 1 April to 30 September 2012.

Net profit margin increased by 0.3% from 1.9% in 9M2011 to 2.2% in 9M2012.

## **(b) Review of balance sheet of the Group as at 30 September 2012**

### **Current assets**

Current assets increased by RMB177.9 million from RMB4,090.4 million as at 31 December 2011 to RMB4,268.3 million as at 30 September 2012. The increase was primarily attributable to the increase in notes receivable and advance payments made to suppliers for the purchase of raw materials.

The increase was partially offset by the decrease in inventories, due to better inventory management, and decreased in bank balances pledged and cash and cash equivalents.

### **Current liabilities**

Current liabilities increased by RMB359.8 million from RMB4,216.6 million as at 31 December 2011 to RMB4,576.4 million as at 30 September 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 9M2012 as compared to relatively higher utilisation of notes payable to finance these payments in FY2011.

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

### **Working capital**

The negative working capital position was RMB308.1 million as at 30 September 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 RMB290.2 million, from RMB2,874.9 million as at 31 December 2011, to RMB3,165.1 million as at 30 September 2012, due primarily to the consolidation of property, plant and equipment of Aoyu Steel.

### **Non Current liabilities**

Non-current liabilities decreased by RMB110.0 million, from RMB496.1 million as at 31 December 2011, to RMB386.1 million as at 30 September 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**

#### **3Q2012 vs 3Q2011**

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

Operating cashflow before working capital changes decreased by RMB96.8 million, from RMB261.6 million in 3Q2011, to RMB164.8 million in 3Q2012. The decrease was due primarily to the decrease in operating profit. Net cash generated from operating activities improved by RMB1,090.7 million from a negative cash flow of RMB408.7 million in 3Q2011 to a positive cash flow of RMB682.0 million in 3Q2012, attributable mainly to the decrease in inventories and bank balances pledged with banks as security for borrowings and letters of credit as well as increased in advances from customers.

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

Net cash used in investing activities was RMB136.9 million in 3Q2012. This was mainly attributable to the Group invested RMB100.0 million in Bohai international Trust Co., Ltd during the period under review as well as payments for technical enhancements to upgrade production facilities in Delong Steel Limited.

This was partially offset by interest earned on bank deposits and entrusted loan to customer.

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

Net cash used in financing activities was RMB319.4 million in 3Q2012. This was mainly attributable to the drawdown of short-term loans of RMB743.5 million for working capital, loan principal and interest repayments of RMB1,062.9 million during the period under review.

#### **9M2012 vs 9M2011**

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

Operating cashflow before working capital changes increased by RMB7.3 million from RMB589.9 million in 9M2011 to RMB597.2 million in 9M2012. The increase was due primarily to the increase in operating profit. Net cash used in operating activities improved by RMB1,272.2 million from a negative cash flow of RMB591.5 million in 9M2011 to a positive cash flow of RMB680.7 million in 9M2012, attributable mainly to the decrease in inventories and bank balances pledged with banks as security for borrowings and letters of credit as well as increased in advances from customers. The increase was partially offset by the increase in notes receivable and prepayments made to suppliers for the purchase of raw materials.

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

Net cash used in investing activities was RMB383.2 million in 9M2012. This was due mainly to the payment of RMB 272.1 million in respect of the acquisition of Aoyu Steel as well as payments in respect of technical enhancements to upgrade production facilities in Delong Steel Limited. The Group also invested RMB100.0 million in Bohai international Trust Co., Ltd during the period under review.

The cash used in investing activities was partially offset by interest received on bank deposits and entrusted loan, 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 RMB670.7 million in 9M2012. This was mainly attributable to the drawdown of short-term loans of RMB2,497.8 million for working capital, loan principal and interest

repayments of RMB3,013.2 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**

According to recent statistics published by PRC's National Development and Reform Commission (NDRC), for the first three quarters of 2012, growth of crude steel, coke and ferroalloy production as well as steel output declined compared to the previous corresponding period. Also, the PRC iron and steel smelting and processing industry saw a 81.1% year-on-year dip in profitability to approximately RMB19.3 billion for the first eight months of 2012. Slower economic growth in the PRC has also contributed to softer demand and price levels for steel and steel-related products.

In view of the current tough economic climate and operating environment in the PRC, the Group expects the outlook of its performance over the next reporting period to be challenging.

Nonetheless, while GDP growth had slowed to approximately 7.4% in the third quarter, the Central Government's push to boost economic growth via strategic investments into infrastructure development should help to support steel demand as well as alleviate margin pressures.

While near-term visibility remain low, the Group remains positive in the mid to long-term prospects of the PRC steel industry, as ongoing consolidation of inefficient capacity continue lay the foundations for long-term sustainable growth.

The Group continues to reap benefits from its strategic acquisition of 80% stake in Hebei-based Laiyuan County Aoyu Steel Co. Ltd. Moving forward, it remains Delong's strategy to rely on its management expertise to explore and evaluate earnings-accretive acquisitions to boost the Group's production capabilities and 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 third quarter 30 September 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 September 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	
	9M2012 RMB'000	9M2011 RMB'000	9M2012 RMB'000	9M2011 RMB'000
<u>Sales Transactions</u> *Hebei Delong Modern Special Tube Manufacturing Co., Ltd	1,071	7,259	-	-

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

### BY ORDER OF THE BOARD

Ding Liguó  
Executive Chairman