



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2013

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 first quarter ended 31 March 2013 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 May 2013

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

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

	Note	The Group		Increase (Decrease) %
		1 st Quarter Ended		
		31/03/2013 RMB'000	31/03/2012 RMB'000	
Sales		3,210,678	2,411,525	33.1
Cost of sales		(3,058,002)	(2,355,324)	29.8
Gross Profit		152,676	56,201	171.7
Other income	1	25,851	18,732	38.0
Other gains-net	2	123	7,559	(98.4)
Expenses				
-Distribution and marketing		(3,190)	(1,568)	103.4
-Administrative		(56,203)	(41,274)	36.2
-Finance		(54,682)	(53,865)	1.5
Profit/ (Loss) before tax	3	64,575	(14,215)	n.m
Income tax expense	4	(17,133)	(78)	n.m
Net Profit/ (Loss)		47,442	(14,293)	n.m
Profit/(Loss) attributable to:				
Equity holders of the Company		45,489	(14,293)	n.m
Non-controlling interest		1,953	-	100.0
		47,442	(14,293)	n.m

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

Net Profit/(Loss)	47,442	(14,293)	n.m
Other comprehensive income/(loss):			
Currency translation differences	3,131	(8,460)	n.m
Other comprehensive income/(loss) for the period, net of tax	3,131	(8,460)	n.m
Total comprehensive income/ (loss)	50,573	(22,753)	n.m
Total comprehensive income/ (loss) attributable to:			
Equity holders of the Company	48,620	(22,753)	n.m
Non-controlling interest	1,953	-	100.0
	50,573	(22,753)	n.m

Notes:-

1	Other income	The Group	
		1 st Quarter Ended	
		31/03/2013	31/03/2012
		RMB'000	RMB'000
	Government grants	2,410	32
	Finance lease income	6,910	3,206
	Interest income	16,531	15,494
		<u>25,851</u>	<u>18,732</u>

2	Other gains-net	The Group	
		1 st Quarter Ended	
		31/03/2013	31/03/2012
		RMB'000	RMB'000
	Gain on disposal of financial assets at fair value through profit or loss	-	59
	Fair value (loss)/gain on financial assets at fair value through profit or loss	(38)	83
	Currency translation (loss)/gain-net ¹	(943)	6,753
	Fair value gain on convertible bonds	-	1
	Fair value (loss)/ gain on convertible shares ²	(4,622)	79
	Fair value changes on purchase consideration payable	(1,953)	-
	Loss on disposal of property, plant and equipment	(1,897)	(334)
	Others	9,576	918
		<u>123</u>	<u>7,559</u>

¹The currency translation (loss)/ gain was due mainly to the revaluation of bank balances denominated in S\$ and US\$ which were weakened against RMB.

²The (loss)/ gain was due to the quarterly revaluation of derivatives embedded to the convertible shares.

3. Profit before tax includes the following items:-

	The Group	
	1 st Quarter Ended	
	31/03/2013	31/03/2012
	RMB'000	RMB'000
Depreciation and amortization ^(a)	134,829	89,975
Staff costs ^(b)	114,341	48,105
Rental on operating lease	248	91

Notes:

- (a) The increase in depreciation and amortization in 1Q2013 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 headcount, higher employee salaries as well as the consolidation of staff costs of Aoyu Steel.

4. Income Tax Expense

	The Group	
	1 st Quarter Ended	
	31/03/2013	31/03/2012
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	19,823	(535)
Deferred income tax	(2,650)	629
Adjustments in respect of the preceding financial years		
Current income tax	(40)	(16)
	<u>17,133</u>	<u>78</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	As at	As at	As at
		31/03/2013	31/12/2012	31/03/2013	31/12/2012
Current assets					
Cash and cash equivalents		673,999	642,894	128,950	127,984
Bank balances pledged		512,551	307,477	-	-
Financial assets, at fair value through profit and loss		483	521	484	521
Held-to-maturity financial assets	1	100,000	100,000	-	-
Trade and other receivables	2	1,042,430	1,299,022	71	25
Inventories	3	709,395	758,662	-	-
Other assets	4	593,816	789,050	550	212
Total current assets		3,632,674	3,897,626	130,055	128,742
Non-current assets					
Trade and other receivables	5	64,458	88,021	521,531	531,654
Other assets	4	29,770	29,280	-	-
Available-for-sale financial assets	6	165,000	71,300	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Property, plant and equipment		3,063,000	3,097,836	102	109
Intangible assets		23,040	24,480	-	-
Deferred income tax assets		14,060	14,528	-	-
Total non-current assets		3,359,328	3,325,445	2,506,549	2,516,679
Total assets		6,992,002	7,223,071	2,636,604	2,645,421
Current liabilities					
Trade and other payables	7	1,258,772	1,748,505	8,584	9,773
Notes payables		372,500	295,800	-	-
Borrowings		2,127,506	1,973,477	157,014	157,425
Convertible shares		63,781	60,896	63,781	60,896
Purchase consideration payable	8	112,078	110,125	-	-
Current income tax liabilities		32,311	69,878	-	-
Total current liabilities		3,966,948	4,258,681	229,379	228,094
Non-current liabilities					
Borrowings		263,380	253,524	103,070	103,343
Convertible shares		63,781	60,896	63,781	60,896
Deferred income tax liabilities		43,510	46,160	-	-
Total non-current liabilities		370,671	360,580	166,851	164,239
Total liabilities		4,337,619	4,619,261	396,230	392,333
Net Assets		2,654,383	2,603,810	2,240,374	2,253,088
Capital reserves and non-controlling interests					
Share capital		405,147	405,147	2,110,983	2,110,983
Reserves		2,227,543	2,178,923	129,391	142,105
Equity attributable to owners of the Company		2,632,690	2,584,070	2,240,374	2,253,088
Non-controlling interests		112,078	110,125	-	-
Capital reserve		(90,385)	(90,385)	-	-
Total equity		2,654,383	2,603,810	2,240,374	2,253,088

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	
	31/03/2013	31/12/2012
	RMB'000	RMB'000
Finance lease receivables	84,485	81,192
Trade receivables ⁽¹⁾	82,130	79,639
Notes receivable ⁽²⁾	854,318	1,113,191
Due from Shijiazhuang New Century Coal Industrial Group Co., Ltd	21,497	25,000
	<u>1,042,430</u>	<u>1,299,022</u>

⁽¹⁾Included in the Group's trade receivables as at 31 March 2013 of RMB82.1 million are trade receivables of Xingtai Delong Machinery and Mill Roll Co., Ltd of RMB76.9 million (the "Mill Roll TR"). The Company will continue to follow up with the relevant customers for repayment. If the Company is of the view that the collectability of the Mill Roll TR is doubtful, it will make allowance for doubtful debts on a case by case basis, depending on the creditworthiness of the customer at the relevant time. The Mill Roll TR may also be written off at the relevant time when the Company is of the view that the customer is unable to make the necessary payment.

⁽²⁾ Lower notes receivables as at 31 March 2013 was due to transfer of some of the notes to the suppliers in payment for purchases made during the period under review.

3. Inventories

	The Group	
	31/03/2013	31/12/2012
	RMB'000	RMB'000
Raw materials	311,278	479,224
Work-in-progress	114,044	87,288
Finished goods	134,725	85,741
Production supplies	149,348	106,409
	<u>709,395</u>	<u>758,662</u>

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

4. Other assets

	The Group	
	31/03/2013	31/12/2012
	RMB'000	RMB'000
Deposits	267	233
Prepayments	369,926	463,190
Entrusted loan to third parties	145,000	145,000
VAT and Tax recoverable	65,411	106,492
Prepaid rent	31,285	31,790
Others	11,697	71,625
	<u>623,586</u>	<u>818,330</u>

Analysed as:

Current	593,816	789,050
Non-current	29,770	29,280
	<u>623,586</u>	<u>818,330</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 when the goods are received by the Group.

5. Trade and other receivables – non-current

	The Group	
	31/03/2013	31/12/2012
	RMB'000	RMB'000
Finance lease receivables	26,616	53,682
Due from an investee company	23,470	23,470
Due from Shijiazhuang New Century Coal Industrial Group Co., Ltd	12,899	9,396
Due from Lai Yuan Bureau of Finance	1,473	1,473
	<u>64,458</u>	<u>88,021</u>

6. Available-for-sale financial assets

	The Group	
	31/03/2013	31/12/2012
	RMB'000	RMB'000
10% equity interest in Hebei Zhongmei Xuyang coking Co., Ltd	10,000	10,000
7.94% equity interest in Tianjin United Mercantile Exchange Co., Ltd ¹	10,000	10,000
2.7% equity interest in Guo Kai Rui Ming (Beijing) Investment Fund Co., Ltd	50,000	50,000
Harvest Fund Management Co., Ltd ²	95,000	1,300
	<u>165,000</u>	<u>71,300</u>

Note:-

¹On 23 April 2013, Delong Steel Limited entered into an agreement with Tianjin United Mercantile Exchange Co., Ltd (Tianjin United”) to dispose of its 7.94% equity interest back to Tianjin United (the “Agreement”). Pursuant to the Agreement, the original investment amount of RMB10.0 million will be refunded to Delong Steel Limited in 2 tranches: RMB9.2 million within one month from the date of the Agreement; and the remaining will be returned within one year from the date of the Agreement.

The rationales for the disposal are that Tianjin United has yet to commence its business activities and the Tianjin Municipal Government has issued a new set of directives on mercantile exchange which requires Tianjin United to carry out an internal restructuring exercise.

²Investment in Harvest Fund Management Co Ltd bears an interest rate of 4.5% per annum and has no fixed maturity.

7. Trade and other payables (Current and Non-Current)

	The Group	
	31/03/2013 RMB'000	31/12/2012 RMB'000
Trade payables to:		
- Third parties	545,523	746,705
VAT and other taxes payable	28,576	96,905
Payable to contractors for construction-in-progress	-	39,501
Advances from customers ⁽¹⁾	437,549	532,772
Other accrual for operating expenses	15,025	4,996
Accrual for interest expense	-	7,027
Accrual for staff cost	33,207	37,820
Deposits from staff and workers	-	75
Due to directors (non-trade)	2,087	2,468
Deferred income	8,095	8,512
Rental from customers	12,068	13,196
Due to non-controlling interest	147,235	147,235
Other payables	29,407	111,293
	<u>1,258,772</u>	<u>1,748,505</u>

Notes:

¹ Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases when goods are collected by the customers.

8. This represents the Group'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 31/03/2013	As at 31/12/2012
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,116,290	1,074,997	800,200	1,234,173

Amount repayable after one year

As at 31/03/2013	As at 31/12/2012
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
253,070	74,091	229,842	84,578

Details of any collateral

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

Borrowings amounting to RMB822,709,100 (2012: RMB 818,604,200) were guaranteed by third parties. Borrowings amounting to RMB978,033,747 (2012:RMB1,124,586,394) were guaranteed by related parties.

As at 31 March 2013, guarantees given to banks by the Group in respect of third parties' borrowings amounted to approximately RMB522,427,900 .

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group	
	1 st Quarter Ended	
	31/03/2013	31/03/2012
	RMB '000	RMB'000
Cash flows from operating activities:		
Profit/(loss) after income tax	47,442	(14,293)
Adjustments for:		
Income tax expense	17,133	78
Depreciation	133,389	89,975
Amortisation of intangible assets	1,440	-
Loss on disposal of property, plant and equipment	1,897	334
Gain on disposal of financial assets, fair value through profit or loss	-	(59)
Fair value loss/(gain) on financial assets, fair value through profit and loss	38	(83)
Fair value gain on convertible bonds	-	(1)
Fair value loss/ (gain) on convertible shares	4,622	(79)
Fair value changes on purchase consideration payable	1,953	-
Currency realignment difference on convertible shares	(2,268)	3,333
Interest income	(16,531)	(15,494)
Interest expense	49,852	53,865
Unrealised currency translation gain	5,656	(8,348)
	<u>197,181</u>	<u>123,521</u>
Operating cash flow before working capital changes	244,623	109,228
Bank balances pledged	(205,075)	(69,581)
Receivables	733,052	(204,016)
Inventories	49,267	21,155
Payables	(671,187)	181,285
	<u>(93,943)</u>	<u>(71,157)</u>
Cash used in operating activities	150,680	38,071
Income tax paid	(56,882)	(1,193)
Net cash generated from operating activities	<u>93,798</u>	<u>36,878</u>
Cash flows from investing activities:		
Payments for property, plant and equipment	(102,973)	(18,188)
Proceeds from disposal of financial assets, fair value through profit and loss	-	285
Purchase of available-for-sale financial assets	(93,700)	-
Interest received	16,531	15,494
Net cash used in investing activities	<u>(180,142)</u>	<u>(2,409)</u>
Cash flows from financing activities:		
Proceeds from borrowings	1,035,017	1,338,751
Repayment of borrowings	(871,132)	(1,304,259)
Interest paid	(46,436)	(46,732)
Net cash generated from/ (used in) financing activities	<u>117,449</u>	<u>(12,240)</u>
Net increase in cash and cash equivalents	31,105	22,229
Cash and cash equivalents at beginning of the period	642,894	1,016,569
Cash and cash equivalents at end of the period	<u>673,999</u>	<u>1,038,798</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

The Group	Share capital	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total	Capital reserve	Non-controlling interest	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2013	405,147	249,218	(3,700)	141,072	1,792,333	2,584,070	(90,385)	110,125	2,603,810
Total comprehensive income for the period	-	-	3,131	-	45,489	48,620	-	1,953	50,573
Balance as at 31 March 2013	405,147	249,218	(569)	141,072	1,837,822	2,632,690	(90,385)	112,078	2,654,383

The Group	Share capital	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2012	404,361	249,218	9,669	141,072	1,598,557	2,402,877
Total comprehensive loss for the period	-	-	(8,460)	-	(14,293)	(22,753)
Balance as at 31 March 2012	404,361	249,218	1,209	141,072	1,584,264	2,380,124

The Company	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2013	2,110,983	249,218	(107,113)	2,253,088
Total comprehensive loss for the period	-	-	(12,714)	(12,714)
Balance as at 31 March 2013	2,110,983	249,218	(119,827)	2,240,374

The Company	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2012	2,110,197	249,218	(84,515)	2,274,900
Total comprehensive loss for the period	-	-	(4,135)	(4,135)
Balance as at 31 March 2012	2,110,197	249,218	(88,650)	2,270,765

- 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**

Changes in the Share Capital of the Company for 1st Quarter Ended	31/03/2013	31/03/2012
Number of ordinary shares as at 1 January and 31 March	550,437,849	550,156,703

Convertible Shares as at	31/03/2013	31/03/2012
Number of shares that maybe issued on conversion of all outstanding convertible shares	29,369,004	29,650,150

Subsequent to the financial period ended 31 March 2013, the Company has redeemed 19,680,261 convertible shares from certain of the convertible share holders.

- 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 2012.

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	
	1 st Quarter Ended	
	31/03/2013	31/03/2012
	RMB'000	RMB'000
Net profit/(loss) for the period	45,489	(14,293)
Basic earnings/(loss) per share (in RMB)	0.08	(0.03)
Diluted earnings/(loss) per share (in RMB)	0.08	(0.03)
Weighted average no. of shares outstanding for basic earnings per share ('000)	550,438	550,157
Weighted average no. of shares outstanding for diluted earnings per share ('000)	579,807	614,055

Explanatory Notes:

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

Diluted earnings/ (loss) 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	
	31/03/2013	31/12/2012	31/03/2013	31/12/2012
Net Asset Value per share (RMB)	4.78	4.68	4.07	4.09

Net asset value per share for the Group and Company is calculated based on 550,437,849 ordinary shares in issue as at 31 March 2013 and 31 December 2012 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

1Q2013 vs 1Q2012

Revenue

Group revenue increased by RMB799.2 million or 33.1% from RMB2,411.5 million in 1Q2012 to RMB3,210.7 million in 1Q2013. The increase was due mainly to contributions from the newly acquired subsidiary, Aoyu Steel, which contributed revenue of RMB755.9 million to the Group in 1Q2013 and higher sales volume for Delong Steel arising from stronger demand of Hot Rolled Coils ("HRC") in the PRC in anticipation of higher infrastructure/construction activities in 2Q2013, despite a decrease in average selling prices of HRC due to the intense competition.

In 1Q2013, the Group sold 686,432 tonnes of HRC and 286,500 tonnes of steel billets, compared to 648,261 tonnes of HRC and 6,341 tonnes of steel billets in 1Q2012. Overall sales quantity increased by 318,330 tonnes or 48.6% having included those sold by Aoyu Steel.

Cost of sales

Total cost of sales increased by RMB702.7 million or 29.8%, from RMB2,355.3 million in 1Q2012 to RMB3,058.0 million in 1Q2013, having included RMB715.4 million from Aoyu Steel. The increase was partially offset by lower prices for raw materials in 1Q2013 compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB96.5 million or 171.7% from RMB56.2 million in 1Q2012 to RMB152.7 million in 1Q2013.

Gross profit margin increased by 2.5 percentage points from 2.3% in 1Q2012 to 4.8% in 1Q2013. The increase in gross profit margin was primarily due to the decrease in raw material prices, which outpaced the decrease in average selling prices of HRC sold in 1Q2013. The increase was also due to contributions from Aoyu Steel.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB1.6 million from RMB 1.6 million in 1Q2012 to 3.2 million in 1Q2013, having consolidated RMB1.2 million from Aoyu Steel. The increase in distribution and marketing expenses was due primarily to higher transportation costs as well as higher employee salaries in 1Q2013.

Administrative expenses

Administrative expenses increased by RMB14.9 million, from RMB41.3 million in 1Q2012 to RMB56.2 million in 1Q2013. The increase was due primarily to higher personnel expenses resulting from increase headcount, employee salaries and social security contributions as well as having consolidated RMB6.2 million from Aoyu Steel.

Finance expenses

Finance expenses increased by RMB0.8 million from RMB53.9 million in 1Q2012 to RMB54.7 million in 1Q2013, having consolidated RMB8.4 million of finance expenses in Aoyu Steel. The increase was partially offset by overall lower interest expense on bank borrowings.

Net Profit

As a result of higher operating profit and after taking into account taxation and non-controlling interest, the Group's net profit in 1Q2013 was RMB 45.5 million compared to a net loss of RMB14.3 million. Aoyu Steel contributed a net profit of RMB20.4 million to the Group in 1Q2013.

(b) Review of balance sheet of the Group as at 31 March 2013

Current assets

Current assets decreased by RMB264.9 million from RMB3,897.6 million as at 31 December 2012 to RMB3,632.7 million as at 31 March 2013 primarily due to the decrease in notes receivables and advance payments made to suppliers for the purchase of raw materials.

The decrease in notes receivables was due to transfer of some of the notes receivable to the suppliers in payment for purchases made during the period under review. The decrease was also due to the decrease in inventories as a result of better inventory management.

Current liabilities

Current liabilities decreased by RMB291.8 million from RMB4,258.7 million as at 31 December 2012 to RMB3,966.9 million as at 31 March 2013 primarily due to overall decrease in trade and other payables.

The decrease was partially offset by the increase in bank borrowings drawn down for working capital purposes as well as increased usage of notes payable for payment to creditors and suppliers during the period under review.

The increase in notes payable was mainly due to the Group's adoption of a more cost effective model of issuing notes payable for payments to suppliers at a lower financing cost instead of issuing letters of credit to suppliers.

Working capital

The negative working capital position was RMB334.3 million as at 31 March 2013. 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 generated from operations.

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

Non-current assets – Property, plant and equipment

Property, plant and equipment decreased by RMB34.8 million, from RMB3,097.8 million as at 31 December 2012 to RMB3,063.0 million as at 31 March 2013 primarily due to depreciation charges provided on the property, plant and equipment for the period under review. The increase was partially offset by the increase in the capital expenditure incurred for the construction of slag powder processing system, 132m² sintering machine flue gas desulfurization system as well as technical enhancements to upgrade production facilities in Delong Steel Limited.

Non-Current liabilities

Non-current liabilities increased by RMB10.1 million, from RMB360.6 million as at 31 December 2012 to RMB370.7 million as at 31 March 2013 primarily due to the increase in long term bank borrowings.

(c) Review of cash flow statement of the Group

1Q2013 vs 1Q2012

Net Cash Generated from Operating Activities

Operating cashflow before working capital changes increased by RMB135.3 million from RMB109.3 million in 1Q2012 to RMB244.6 million in 1Q2013 primarily due to the increase in operating profit. Cash used in working capital increased by RMB22.7 million from RMB71.2 million in 1Q2012 to RMB93.9 million in 1Q2013, attributable mainly to payment made to suppliers and creditors during the period under review. The increased was partially offset by the decrease in notes receivable and advance payments made to suppliers.

After taking into consideration cash used for working capital and income tax paid of RMB56.9 million, the net cash generated from operating activities was RMB93.8 million as at 31 March 2013.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB180.1 million in 1Q2013. This comprised principally the progress payments for the construction of slag powder processing system, 132m² sintering machine flue gas desulfurization system and technical enhancements to upgrade production facilities in Delong Steel Limited. The Group also invested RMB93.7 million in Harvest Fund Management Co., Ltd during the period under review.

Net Cash Generated from Financing Activities

Net cash provided by financing activities was RMB117.4 million in 1Q2013. This was mainly attributable to the drawdown of short-term loans of RMB1,035.0 million for working capital less principal and interest repayments of RMB917.6 million.

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

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

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

The long-term prospects for the PRC steel industry is expected to remain stable as China remains one of the fastest growing economies and backed by continued investments into infrastructure development projects.

However overcapacity issue leading to intense price competition in the PRC domestic steel sector remains a key concern for industry players. A report by the China Iron and Steel Association in April 2013 indicated that while steel demand in the PRC traditionally peaks during the second quarters, impacts arising from the delay in the release of the PRC's new urbanisation plans, and potential delay in the commissioning of new rail infrastructure projects due to the restructuring of China's Ministry of Railways may affect demand for steel products.

On 19 April 2013, the Group announced that its 80%-owned subsidiary, Laiyuan County Aoyu Steel Co., Ltd will be carrying out major maintenance on two blast furnaces sequentially to enhance the safety and technical features of the furnaces. The maintenance exercise, which is scheduled to fully complete by June 2013, is expected to reduce the Group's revenue in the second quarter of 2013 by approximately RMB420.0 million.

Moving forward, Delong will continue to explore and evaluate acquisitions to boost the Group's production capabilities.

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 first quarter 31 March 2013.

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**

There was no interested party transaction for the financial period ended 31 March 2013.

BY ORDER OF THE BOARD

Ding Ligu
Executive Chairman