



**德龙控股**  
DELONG HOLDINGS

Annual Report 2007



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## OUR VISION

Headquartered in Beijing, China, Delong Holdings Limited (“Delong”) is a steel manufacturing group committed to playing its part in growing the Chinese steel industry through progressive thinking and sustainable practices. We envision Delong as one of the leading steel companies in China, contributing strategically to the country’s economic landscape and creating long-term value for our stakeholders.



## CORPORATE PROFILE

**Delong Holdings Limited** is principally engaged in the manufacture and sale of hot-rolled steel coils with the People's Republic of China as its principal market.



**Delong Steel Limited (“Delong Steel”)**

Located 5km off Xingtai City in Hebei province, the People’s Republic of China(“PRC”), Delong Steel is an important private enterprise in the province, employing a sizeable workforce of 5,501 and contributing significantly to the local economy. A member of the China Iron & Steel Association, Delong Steel is principally engaged in the manufacture and sale of hot-rolled coils (“HRC”).

Sitting on a land area of over 900,000 square metres and ISO9001:2000-certified, the plant is outfitted with advanced steelmaking equipment, including multi-layered low-temperature sintering equipment, fully automated Programmable Logic Controller (PLC) production systems and ultrasonic cleaning technology. Since 2000, the company has invested over RMB 3.4 billion to upgrade its facilities and improve its annual production capacity through a technological enhancement programme. Today, it boasts a fully-integrated steel plant capable of handling production from raw material processing through final product packaging.

Delong Steel’s key products are HRC ranging between 350 to 1150 mm in width and 1.5 to 18.0 mm in thickness. The products, which can be customized to clients’ specifications, are mainly used for the infrastructure, pipe-making, machinery and automatic industries. As at 31 December 2007, the total HRC production from the two lines stood at 3.0 million tonnes a year.

The majority of Delong Steel’s clients are located in the PRC, within a 500-kilometre radius of its plant, and the Company has benefited greatly from the rapid economic development in the northern and northeastern regions of China.

**Dexin Steel Pte Ltd (“Dexin Steel”)**

Operationally located in Singapore, Dexin Steel is an investment property holding company.

**Tianjin Detong Leasing Company Limited (“Tianjin Detong”)**

Operationally located in the PRC, the principal activity of Tianjin Detong is in the business of purchasing equipment and leasing such equipment to the Group subsidiaries for use in the operations or to other third parties.

**Xingtai Xinlong Coal-Gas Limited (“Xingtai Xinlong”)**

Operationally located in the PRC, the principal activity of Xingtai Xinlong is in coal gas recycling.

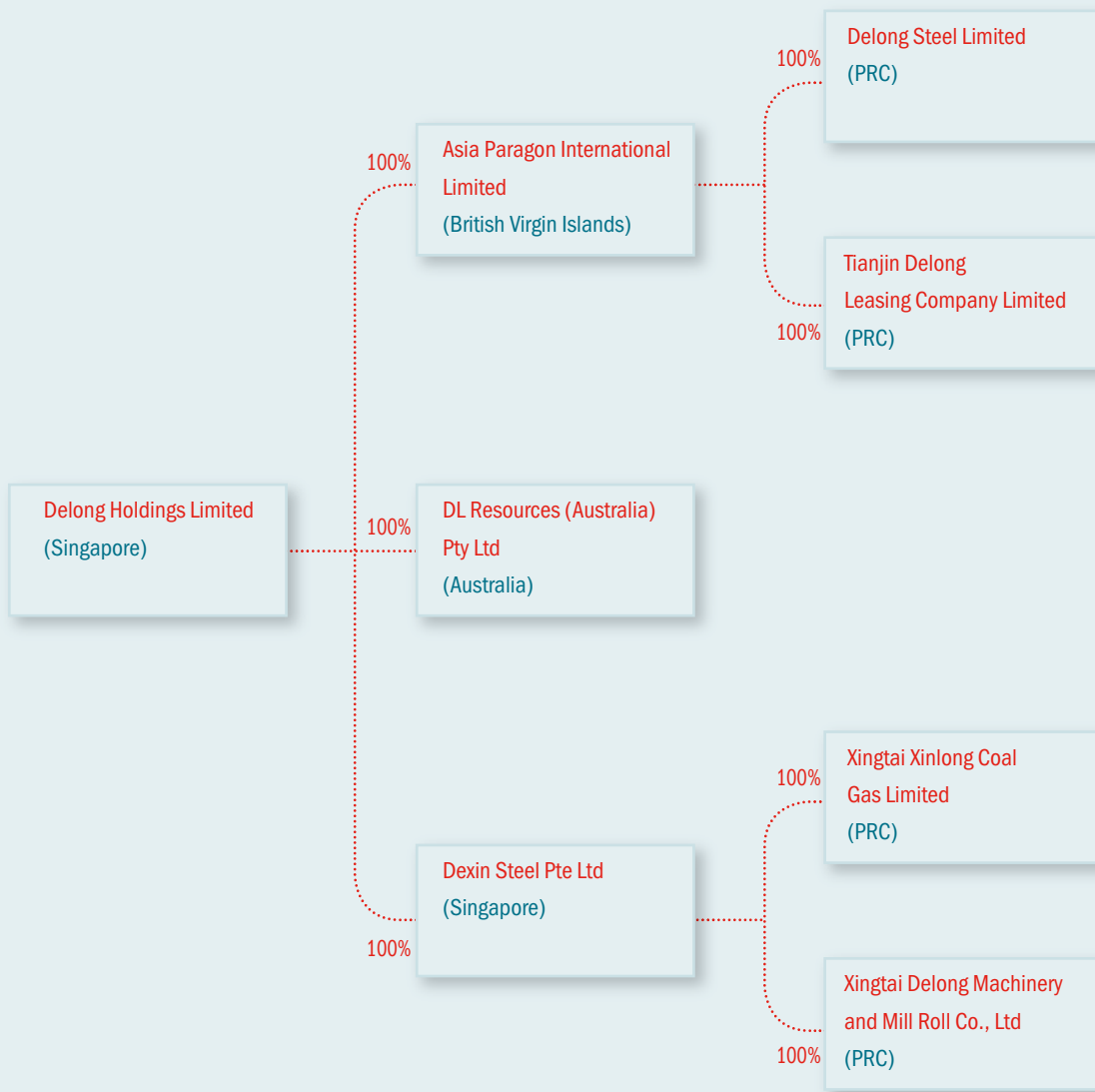
**Xingtai Delong Machinery and Mill Roll Co., Ltd (“Xingtai Delong Mill Roll”)**

Operationally located in the PRC, the principal activities of Xingtai Delong Mill Roll are in the design, development, manufacture and sale of large diameter steel mill rollers and large cast steel articles.

**DL Resources (Australia) Pty Ltd (“DL Resources”)**

Operationally located in Australia, the principal activity of DL Resources is in the investments of mineral resource-related projects.

## CORPORATE STRUCTURE



## CHAIRMAN'S STATEMENT & OPERATIONS REVIEW

### Dear Shareholders,

It is with great pleasure that I present you the annual report for Delong Holdings Limited ("Delong") for the financial year ended 31 December 2007 ("FY2007"). Despite a challenging operating environment marked by consolidation in the global steel sector and sharp rises in material prices, we have achieved another year of increase in revenue and operational improvements.

The year under review was marked by several significant developments, including:

- 1) Completion of technological enhancements at our facility in Xingtai, Hebei Province, which raised our fully integrated production capacity of hot-rolled coils ("HRC") to 3.0 million tonnes from 2.4 million tonnes in FY2006
- 2) Construction of a 70,000-tonnes-per annum high-end roller mill over two phases. Phase 1 of the roller mill is slated to enter production by 2Q2008 with an annual capacity of 35,000 tonnes
- 3) Issuance of RMB1,532 million (US\$200 million) zero-coupon convertible bonds in June 2007 to fund various expansion initiatives
- 4) Completion of a 10-to-1 share consolidation exercise in May 2007
- 5) Signing of long-term iron ore supply contracts with two global iron ore producers to mitigate against fluctuating prices



**Mr Ding Ligu**  
Executive Chairman

Total revenue for the Group rose 63.1% to S\$1.5 billion in FY2007 from S\$945.3 million a year ago.

### Financial Performance Review

The world steel industry has experienced one of its most challenging periods in recent memory, marked by major consolidation and sharp increases in raw material prices. Iron ore prices – which had already risen sharply in FY2006 – have nearly doubled in the year under review and have since risen even further. The situation for steel manufacturers has been worsened by increases in freight rates, raising the landed cost of import. While prices of steel products, including our HRC products, have risen in tandem with economic growth in the Peoples' Republic of China (“PRC”), the pace of the price rises of raw materials and freight charges has outpaced the rise in selling prices. The situation has affected virtually all steel producers in the PRC.

Our operational and financial performance in FY2007 should therefore be seen against the backdrop of these exceptional circumstances. We produced a total of 2.4 million tonnes of HRC in FY2007, compared to 1.4 million tonnes in FY2006. The commissioning of our new 1250-mm line in December 2006 also meant that we are able to produce higher-grade HRC in the year under review. The 1250-mm line accounted for 55% of total production compared to 45% of the 850-mm line.



In line with the higher average prices and increase in production, total revenue for the Group rose 63.1% to S\$1.5 billion in FY2007 from S\$945.3 million a year ago. Net profit after tax decreased 28.6% to S\$93.8 million in FY2007 from S\$131.2 million a year ago. Our profitability was impacted by a number of factors, including the higher raw material and freight costs and also reflected the commencement of tax payment at a rate of 15% of profits generated by Delong Steel effective 1 January 2007.

The Group also recognized an exceptional loss of S\$9.8 million in 4Q2007, attributable to weakening of the US dollar against the Renminbi. Following the issue of the convertible bonds in June 2007, Delong has held a portion of the proceeds raised in US dollar-denominated deposits. The weakening of the dollar resulted in the Group having to recognize an exceptional charge on translational losses.

Earnings per share on a fully diluted basis were 17.5 Singapore cents in FY2007 from 24.6 cents a year ago. Net asset value per share grew to 71.8 cents as at 31 December 2007 from 59.7 cents a year earlier.

### **Technological Enhancements and Increase in Capacity**

During the year under review, we initiated and completed the construction of our No. 6 and No.7 Blast Furnaces in September and December 2007, respectively. With the two blast furnaces in full operation, Delong will be fully self-sufficient in the production of pig iron and molten iron, achieving matching production capacities of 3.0 million tonnes of HRC from 2.4 million tonnes previously.

The enhancements – fully funded by internal resources – will generate additional cost-savings and contribute to the Group's performance from FY2008.

### **High-End Roller Mill**

Since the end of 3Q2007, the Group has commenced the construction of a 70,000-tonnes-per annum roller mill in our facilities in Xingtai over two phases. We have completed construction of Phase 1 in December 2007, which is expected to commence production by 2Q2008. Targeting domestic and international large steel manufacturers, the high-end rollers are used in the coil-making process. Revenue from the mill is expected contribute positively to our financial performance in FY2008.

### **Convertible Bond**

In June 2007, the Group issued RMB 1,532 million (US\$200 million) worth of zero coupon convertible bonds for the purpose of funding strategic investments and core business expansion plans. As of the date of this report, the Group has utilized approximately RMB834.3 million to fund our various expansion initiatives, including the construction of the Coal Gas Recycling Power Generation Unit, high-end roller mill, as well as investments in our subsidiary DL Resources (Australia) Pty Ltd. The Group will continue to progressively utilize the remaining funds for strategic and timely investments to enhance shareholder value.



### Long-Term Iron Ore Contracts

Rising raw material costs continue to be a concern for global steel manufacturers. To mitigate against future price fluctuations, the Group has signed two long-term iron ore purchase agreements for the supply of 2.05 million tonnes of iron ore annually. Both contracts are due to commence in FY2008.

### Dividend

The Board of Directors has proposed a 1-tier tax-exempt first and final dividend totaling S\$22.2 million or 4.15 cents per share declared for FY2007. This represents approximately 23.7% of the Group's FY2007 net profit, in line with the Group's dividend policy announced in FY2005 to distribute to shareholders a minimum of 20% of full year net profits, underscoring the Group's commitment to return value to shareholders.

The proposed dividend, subject to shareholder approval, will be paid on 23 April 2008.

### Events Subsequent To The Year End

In February 2008, Delong's controlling shareholder, Best Decade Holdings Limited ("Best Decade") entered into a share purchase agreement under which Russia's second-largest steelmaker Evraz Group S.A. ("Evraz") plans to acquire approximately 51% of the existing issue capital of Delong over a period of time.

The Group has also entered into an agreement with a provincial power plant company for the development of a recycled coal gas power plant at our Xingtai facilities involving an estimated investment of RMB120 million. The development – to be funded by proceeds from the convertible bonds – will reduce Delong's dependency on external suppliers for electrical power and even generate additional revenue from the sale of the excess power generated. This plant is slated to enter production in FY2009.

The Board of Directors has proposed a 1-tier tax-exempt first and final dividend totaling S\$22.2 million or 4.15 cents per share declared for FY2007.

### Outlook

The outlook of the steel market in the PRC continues to remain positive underpinned by strong economical growth. Backed by continued sustained demand due to the rapid economic growth in PRC, we anticipate domestic selling prices of HRC to continue rising.

Our value proposition has been strengthened by the technological enhancements completed recently, the new roller mill as well as the long-term iron ore supply contracts which have commenced since the start of FY2008.

### Appreciation

On behalf of the Board, I would like to express our gratitude to our customers, suppliers, business associates, management and staff as well as the loyal shareholders of Delong during a challenging and eventful year. I look forward to the continued support from each of you as we strive towards our next stage of growth.

**Mr Ding Liguo**  
Chairman

## FINANCIAL HIGHLIGHTS

### GROUP'S 4-YEAR FINANCIAL HIGHLIGHTS

<b>S\$M</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
Revenue	693.5	861.0	945.3	1,542.0
Cost of Sales	(614.7)	(707.6)	(788.0)	1,356.0
Gross Profit	78.8	153.4	157.3	186.0
Net Profit After Tax	38.7	121.5	131.2	93.8
EBITDA	86.5	144.8	162.6	203.8
Total Assets	418.3	515.3	764.8	1,264.0
Total Equity	57.5	219.1	316.8	384.2
Total Cash and Cash Equivalents	41.0	15.3	37.3	196.6

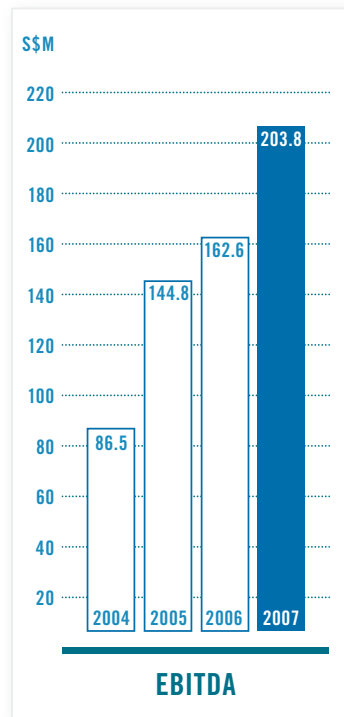
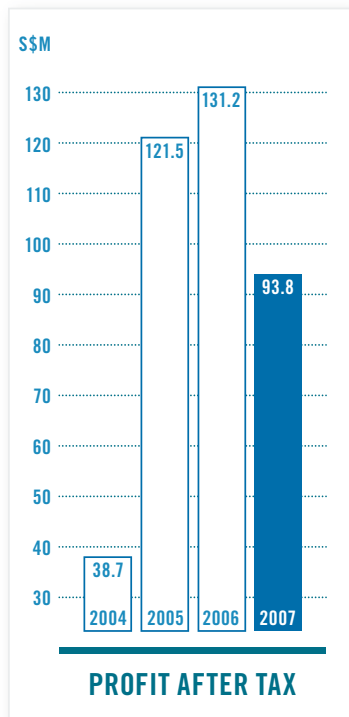
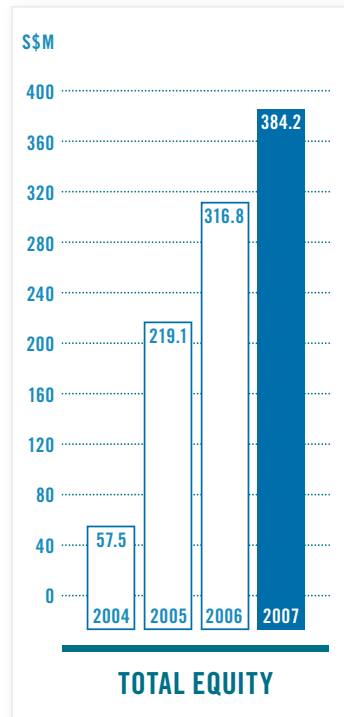
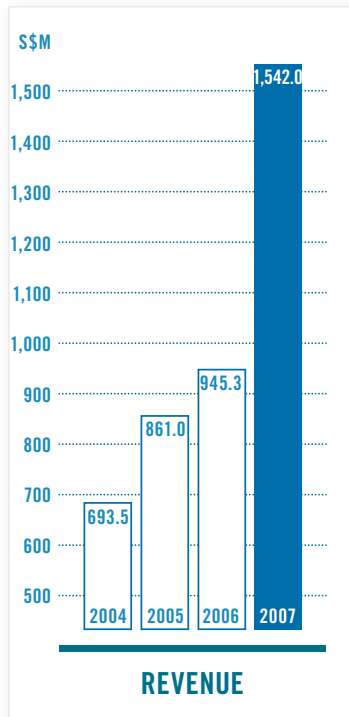
<b>Financial Ratios</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
Gross Profit Margin	11.4%	17.8%	16.6%	12.1%
Net Profit Margin	5.6%	14.1%	13.9%	6.1%
Basic Earnings Per Share <sup>1</sup> (S cents)	7.9	23.1	24.7	17.6
Net Tangible Assets Per Share <sup>2</sup> (S cents)	11.7	41.3	59.7	71.8
Gearing (times)	2.76	0.50	0.57	1.31
Return on Assets <sup>3</sup>	9.2%	23.6%	17.2%	7.4%
Return on Equity <sup>4</sup>	67.3%	55.5%	41.4%	24.4%

1 Earnings Per Share is defined as net profit after tax divided by weighted average number of shares in issue.

2 Net Tangible Assets Per Share is defined as net tangible asset value divided by total number of shares in issue.

3 Return on Assets is defined as net profit after tax divided by total assets.

4 Return on Equity is defined as net profit after tax divided by total equity.



## BOARD OF DIRECTORS



Top Row (L-R):  
Mr Ding Liguo,  
Mr Guo Sanxiang,  
Mr Bai Baohua

Bottom Row (L-R):  
Mr Hee Theng Fong,  
Mr Lai Hock Meng



### Mr Ding Liguo

Mr Ding is the **Executive Chairman** of the Company and is in charge of the overall management and direction of the Delong Group. From 1998 to 2003, Mr Ding was the Chairman of Tangshan Ligu Enterprise Group Co., Ltd and from 1992 to 1998, he was the Chairman of Tangshan Changcheng Rolled Steel Factory. Prior to that, Mr Ding was an employee with Shenzhen Futian District Materials Bureau from 1991 to 1992. Mr Ding holds a diploma in Machinery Manufacture from the Hebei Technological Institute in the PRC.

### Mr Guo Sanxiang

Mr Guo is the **Executive Director** of the Company and is responsible for overseeing the operations of the Delong Group. He is also the Executive Director of Delong Steel. Prior to this, Mr Guo was General Manager of Xingtai Delong Iron & Steel Co., Ltd. In the years between 1998 and 2002, he was Deputy General Manager and Head of a steel rolling factory with Tangshan Lefeng Steel Company. Between 1984 and 1998, Mr Guo was Vice-Head and Chief Engineer with the Tangshan Rolled Steel Factory. Mr Guo holds a Bachelor degree in Metal Pressure Processing from the Hebei Mining and Metallurgy College in the PRC.

### Mr Bai Baohua

Mr Bai is an **Independent Director** of the Company and Chairman of the Nominating and Remuneration Committees. He is also a Member of the Audit Committee. He is currently retired. He was Vice-Chairman and subsequently General Manager of China Steel Industrial Trade Group Company from 1993 to 2001. Between 1980 and 1993, Mr Bai was with China Metallurgy Import and Export Company, where he rose through the ranks from engineer to general manager, placed in charge of the overall operations of the company. Between 1965 to 1983, Mr Bai was a technician with the Metallurgy Department Office (1973 to 1983), Gansu Jiuquan Steel Company (1969 to 1973) and China Foreign Metallurgy Construction Company (1965 to 1969). Mr Bai holds a Bachelor of Engineering from the Beijing Technological University.

### Mr Hee Theng Fong

Mr Hee is an **Independent Director** of the Company and a Member of the Audit, Remuneration and Nominating Committees. He began his legal career when he joined the Legal Service Commission in 1979. Two years later, he moved into private practice, where he has remained till now. Mr Hee's arbitration appointments include being a Fellow of the Chartered Institute of Arbitrators (UK), Singapore Institute of Arbitrators, an Arbitrator of Singapore International Arbitration Centre, Beijing Arbitration Commission, Huizhou Arbitration Commission and China International Economic and Trade Arbitration Commission. He is regularly invited to speak at seminars covering directors' duties and corporate governance. Currently, he serves as an independent director on the board of directors of several listed companies in Singapore. Mr Hee graduated in 1979 with a Bachelor of Laws (Honours) Degree from the then University of Singapore (now known as the National University of Singapore).

### Mr Lai Hock Meng

Mr Lai is an **Independent Director** of the Company and Chairman of the Audit Committee. He is also a member of the Remuneration and Nominating Committees. He is currently Managing Director of Tembusu Partners Pte Ltd, a firm providing consultancy services in private equity investments and general corporate advisory work. Mr Lai has more than 15 years' experience in both public and private finance sectors, including the Monetary Authority of Singapore. In addition, he also holds directorships in a number of public and private companies. Mr Lai has a Bachelor of Arts (Honours) and a Masters of Arts from the University of Cambridge in England, majoring in Economics. He is also an accredited Chartered Financial Analyst with the CFA Institute in the USA and a Fellow of the Chartered Institute of Marketing in the UK.

## EXECUTIVE OFFICERS

**Lan Jihong** is the **Chief Financial Officer** of the Company. She joined Delong Steel in 2005 and is responsible for all financial and accounting matters of Delong Steel. Prior to that, Ms Lan was a Finance Manager of BHA Aero Composite Parts Co., Ltd (China) from March 2003 to June 2005. From September 1999 to March 2003, Ms Lan was a Financial Controller of Magnequench (TianJin) Co., Ltd (China). Between August 1996 to September 1999, Ms Lan was an assistant Finance Manager with Fourth Shift Asia Computer Co., Ltd (China). From August 1991 to March 1996, Ms Lan was an Accountant of Tianjin Automobile Corporation Co., Ltd (China). She holds a Bachelor of Accountancy from the Tianjin Finance & Economic University, PRC.

**Yeo Lee Luang** is the **Accounts Manager and Compliance Officer** of the Company. She assists Chief Financial Officer in finance and accounting functions, as well as ensuring continuing listing obligations of the Company are complied with. Ms Yeo has been with the Company since April 2000. She holds a Bachelor in Commerce with majors in Accountancy from the University of Otago, New Zealand, and is a member of the Institute of Certified Public Accountants of Singapore and Institute of Chartered Accountants of New Zealand.

**Meng Xiangyun** is the **Operations Manager** of the Company and he is responsible for overseeing the production process of the Group. Prior to joining Delong Steel in 2005, Mr Meng was with Xingtai Delong Iron & Steel Co., Ltd from 2003 to 2005, where he was the manager of rolling mill. From 1999 to 2002, he was the deputy bureau chief with Luquan City Planning Bureau. From 1982 to 1998, he was with Luquan Steel Co., Ltd, where he started as a superintendent in the technical department and was promoted to the position of deputy manager in charge of production and subsequently was promoted to general manager of the production department. Mr Meng holds a diploma in Steel Metallurgy from Hebei Metallurgy College, PRC.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Ding Liguo	Executive Chairman
Guo Sanxiang	Executive Director
Bai Baohua	Independent Director
Hee Theng Fong	Independent Director
Lai Hock Meng	Independent Director (Appointed on 15 June 2007)

### AUDIT COMMITTEE

Lai Hock Meng	Chairman
Hee Theng Fong	
Bai Baohua	

### NOMINATING COMMITTEE

Bai Baohua	Chairman
Hee Theng Fong	
Lai Hock Meng	

### REMUNERATION COMMITTEE

Bai Baihua	Chairman
Hee Theng Fong	
Lai Hock Meng	

### COMPANY SECRETARY

Yeo Lee Luang, CA

### SHARE REGISTRARS

B.A.C.S Private Limited  
63 Cantonment Road  
Singapore 089758

### REGISTERED OFFICE

80 Raffles Place  
#56-02 UOB Plaza 1  
Singapore 048624  
Tel: (65) 6535 8208  
Fax: (65) 6535 7505  
Website: www.dlholdings.com

### COMPANY REGISTRATION NUMBER

199705215G

### INDEPENDENT AUDITOR

#### PricewaterhouseCoopers

8 Cross Street #17-00  
PWC Building  
Singapore 048424  
Tel: (65) 6236 3035

#### Partner-in-Charge

Mr. Chua Kim Chiu  
(Appointed since 2007)

### PRINCIPAL BANKERS

Agricultural Bank of China  
Industrial and Commercial Bank of China  
Bank of China  
United Overseas Bank Limited  
Citibank, N.A  
BNP Paribas Private Bank

## INVESTOR POLICY

### CORPORATE TRANSPARENCY

Investor relations continue to be an important part of our Group's commitment to high standards of corporate governance. The Company has been disclosing accurate, clear and timely information to make its business more transparent and also to strengthen shareholders and potential investors' confidence.

### GOOD CORPORATE GOVERNANCE

The Board of Directors consists of five directors, with majority of the directors being independent directors as recommended by the Code of Corporate Governance. The remaining non-independent directors have served our Group well. Their participation in the Remuneration, Audit and Nominating Committees serves as an assurance to our shareholders' interests.

### COMMUNICATIONS WITH SHAREHOLDERS

#### (i) Corporate Announcements /New Releases

All information on our Group's new initiatives are first disseminated via SGXNET, which is subsequently made available on our corporate website.

During the year, we issued quarterly, half-yearly and full-year financial results promptly within the mandatory reporting period. In addition to publishing through the SGXNET, new releases are issued to the media and also placed on our corporate website.

#### (ii) Analysts & MEDIA Briefings

During the year, we have met up with some individual analysts, fund managers and shareholders. These sessions helped to further clarify the business directions and growth strategies of our Group.

**Our Group has regarded Investor Relations as an integral component of our management function.**

#### (iii) Annual Report

We placed great importance on our annual report as it is designed to give a well-rounded picture of the Company. The content have been revised and expanded to include more in-depth information. The information has also been presented in a reader-friendly format.

Our annual report is issued well within the mandatory period and is also made available on our corporate website. Besides allowing the overseas investors and shareholders to have access to the annual report in time, it also makes the annual report available to potential investors and public who would like to know more about the Company.

#### (iv) Company's Corporate Website-[www.dlholdings.com](http://www.dlholdings.com)

Our corporate website gives quick access to financial and corporate information on our Group. Investors can download our current and previous announcements, financial results and press releases from our corporate website.

#### (v) Annual General Meetings ('AGM')

At AGMs, we strongly encourage shareholders to share their views and to raise any issues that require clarifications regarding any aspect of our Group.

We view these meetings as excellent opportunities to communicate with our shareholders and maximize their understanding on our Group's operations and strategies going forward.

## CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Delong Holdings Limited continue to uphold the highest standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance (the “Code”) as reviewed by the Council on Corporate Disclosure Governance whose recommendations to revise the code have been accepted by the Government in July 2005. Listed companies are required to disclose their corporate governance practices and explain deviations from the Code in the annual reports for annual general meetings held from 2007 onwards. In line with the Company’s commitment to maintaining high standards of corporate conduct, the Board has reviewed the Group’s corporate governance processes and has implemented a number of changes taking into account a number of recommendations and revisions made to the Code. Good corporate governance is an integral element of a sound corporation and enables a company to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering. This helps the Company to create long-term value and returns for the shareholders.

This report outlines the Company’s corporate governance processes and structures that were in place throughout the financial year, with specific reference made to each of the principles of the Code.

### (A) BOARD MATTERS

#### Board’s Conduct of its Affairs

##### Principle 1: Every company should be headed by an effective Board to lead and control the company

The Board of Directors (the “Board”) comprises two executive directors and three independent directors, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Company. A brief description of the background of each director is presented on the “Directors’ Profile” section.

The Board sets the overall business direction and provides guidance on the Company’s strategic plans with particular attention paid to growth, financial performance and risks management. It delegates the formulation of business policies and day-to-day management to the Executive Directors.

Apart from its statutory responsibilities, the Board is responsible for:-

- approving the Group’s strategic plans, key operational initiatives, major investments and funding decisions;
- identifying principal risks of the Group’s business and ensuring the implementation of appropriate systems to manage these risks;
- reviewing the financial performance of the Group; and
- approving the release of the financial results to the shareholders.

The Board holds at least four meetings a year, with additional meetings for particular matters convened as and when they are deemed necessary.

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Audit Committee (“AC”), a Nominating Committee (“NC”) and a Remuneration Committee (“RC”). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

## CORPORATE GOVERNANCE REPORT

The number of meetings held and attended by each member of the Board and Committees since the date of the previous Report of the Directors are as follows:

Directors	Board		AC		RC		NC	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ding Liguo	8	8	4	4	–	–	–	–
Guo Sanxiang	8	8	4	4	–	–	–	–
Bai Baohua	8	7	4	4	1	1	1	1
Hee Theng Fong	8	6	4	2	1	1	1	1
Lai Hock Meng*	8	6	4	2	1	1	1	1

\* appointed on 15 June 2007

All directors undergo relevant training to develop the requisite individual skills. Newly appointed directors are given training appropriate to the level of their previous experience and are provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with Management periodically to gain a better understanding and update of business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory requirements and accounting standards.

### Board Composition and Balance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

The Board comprises five directors of which three are independent directors. They are Mr Lai Hock Meng, Mr Hee Theng Fong and Mr Bai Baohua. The criterion of independence is based on the definition given in the code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. With majority of the directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues.

The composition of the Board is reviewed on an annual basis by a Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Committee, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The Nominating Committee nominates the most suitable candidate who is then appointed by the Board.

The Board is of the view that its current composition of five directors is appropriate taking into account the scope and nature of the operations of the Company.

## Chairman and Chief Executive Officer

**Principle 3: There should be a clear division of responsibilities at the top of the Company- the working of the Board and the executive responsibility of the Company's business-which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.**

The Board is of the view that it is in the best interests of the Group at its present development stage to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure the decision-making process of the Group would not be unnecessarily hindered.

The Group's Executive Chairman and CEO, Mr Ding Liguu, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and Management. As the Chairman and CEO, he schedules Board meetings, oversees the preparation of the agenda for Board Meetings and ensures the Groups's compliance with the Code.

All major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee. His performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and the Remuneration Committee comprise mainly of the independent directors of the Company. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

## Board Membership

**Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.**

The Board established the Nominating Committee in March 2005. The Nominating Committee comprises three Independent Directors. Mr Bai Baohua is the Chairman of the Nominating Committee.

The responsibilities of the Nominating Committee are to determine the criteria for identifying candidates and reviewing nominations for the appointment of directors to the Board and also to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

When a vacancy arises any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The Nominating Committee nominates the most suitable candidate who is then appointed by the Board.

## CORPORATE GOVERNANCE REPORT

Where, by virtue of any vacancy in the membership of the Nominating Committee for any reason, the number of members of the Nominating Committee is reduced to less than three (or such other number as may be determined by the Singapore Exchange), the Board shall, within three months thereafter, appoint such number of new members to the Nominating Committee. Any new member appointed shall hold office for the remainder of the term of office of the member of the Nominating Committee in whose place he or she is appointed.

In determining the independence of directors annually, the Nominating Committee reviewed and is of the view that Mr Bai Baohua, Mr Lai Hock Meng and Mr Hee Theng Fong are deemed independent and that, no individual or small group of individual dominate the Board's decision-making process. The Nominating Committee has also reviewed and is satisfied that Mr Hee Theng Fong and Mr Lai Hock Meng have been able to devote adequate time and attention to the affairs of the Company to fulfill their duties as directors of the Company.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Article of Association, one-third of the directors are to retire from office by rotation at the Company's AGM. In addition, Article 88 of the Company's Article of Association provides that a director appointed during the year will hold office only until the next AGM and will be eligible for re-election.

The dates of initial appointment and last re-election of each director, together with their directorship in listed companies are set out below:

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election	Directorships in Listed Companies
Ding Liguu	Executive/ non-independent	8 March 2005	19 April 2007	Delong Holdings Limited
Guo Sanxiang	Executive/ non-independent	8 March 2005	8 April 2008	Delong Holdings Limited
Bai Baihua	Non-executive/ independent	8 March 2005	8 April 2008	Delong Holdings Limited
Hee Theng Fong	Non-executive/ independent	1 June 2006	19 April 2007	Datapulse Technology Limited Tye Soon Limited Sinomen Technology Limited YHI International Limited First Resources Limited
Lai Hock Meng	Non-executive/ independent	15 June 2007	8 April 2008	Xpress Holdings Limited

According to Article 88 and 89 of the Company's Article of Association, Mr Lai Hock Meng, Mr Guo Sanxiang and Mr Bai Baohua will retire at the Company's forthcoming AGM and be eligible for re-election.

## Board Performance

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.**

The Nominating Committee has established a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. It considers a set of quantitative and qualitative performance criteria in evaluating the Board's performance. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code.

The Board and the Nominating Committee have endeavoured to ensure that directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions.

Reviews of the Board performance, as appropriate, are undertaken collectively by the Board annually and informally on a continual basis by the Nominating Committee.

## Access to Information

**Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.**

All directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. They have unrestricted access to the Company's records and information. They also receive monthly management accounts to enable them to exercise oversight over the Group's operational and financial performance. The Articles of Association of the Company provide for directors to convene meetings by teleconferencing or videoconferencing. When a physical Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means.

The agenda for Board meetings is prepared in consultation with the Executive Chairman. Detailed Board papers are prepared for each meeting and are circulated in advance for each meeting. The Board papers include sufficient background explanatory information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings or by external consultants engaged on specific projects.

The Directors have separate and independent access to the Company Secretary. At all times, the Company Secretary will be in attendance at each Board meeting. The Company Secretary ensures that Board Meetings are conducted in accordance with the Memorandum and Articles of Association of the Company and that applicable rules and regulations are complied with. The minutes of all Board committees' meetings are circulated to the Board. When necessary, the Directors can take independent professional advice at the Company's expense.

## CORPORATE GOVERNANCE REPORT

### (B) REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

**Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The Remuneration Committee was established in March 2005 and comprises three Independent Directors of the Company and is chaired by Mr Bai Baohua. It meets at least once annually. The Committee has access to expert advice in the field of executive compensation outside the Company where required.

The Remuneration Committee reviews the directors, CEO and the key executives, including senior management's remuneration policy. It recommends remuneration package to the Board for approval, with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies. The review covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits-in-kind. The Committee's recommendations are submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

#### Level and Mix of Remuneration

**Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.**

In setting remuneration packages, the Company takes into account remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key senior executive comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The service contracts entered into with the executive directors dated 8 March 2005 had expired on 8 March 2008 and the same will be renewed in due course. The service contracts provide for termination by either the executive director or the Company upon giving written notice of not less than three months.

The annual reviews of the compensation of directors are carried out by the Remuneration Committee to ensure that the remuneration of the executive directors and key executives is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

The Group currently does not have any executive share option scheme in place.

## Disclosure of Remuneration

**Principle 9:** Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The level and mix of each individual director's remuneration band payable for the year ended 31 December 2007 is as follows:

	Directors' Fees	Salary	Bonus	Total
<b>\$500,000 to below \$1,000,000</b>				
Ding Liguo	–	100%	–	100%
<b>\$250,000 to below \$ 500,000</b>				
Guo Sanxiang	–	100%	–	100%
<b>Below \$250,000</b>				
Bai Baohua	100%	–	–	100%
Hee Theng Fong	100%	–	–	100%
Lai Hock Meng*	100%	–	–	100%

\*Appointed on 15 June 2007

Directors' fees are subject to approval by shareholders at the Annual General Meeting.

The remuneration of the key executives who are not directors of the Company is as follows:

### Below S\$250,000

Lan Jihong

Yeo Lee Luang

Meng Xiangyuan

There is no employee with the Company or Group who is an immediate family member of a Director or the CEO during the financial under review.

## CORPORATE GOVERNANCE REPORT

### (C) ACCOUNTABILITY AND AUDIT

#### Accountability

**Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

The Board adopts and promotes best practices in order to build an excellent business for its shareholders, considering not only its accountability to the shareholders but also the performance of the Group.

The Board is mindful of its obligations to provide timely and full disclosure of material information in compliance with statutory reporting requirements. Thus, the Company ensures that price sensitive information is publicly released, either before the Company meets any group of investors or analysts or simultaneously with such meetings. The Company also announces its quarterly financial results as required by the Code. Financial results and annual reports are announced or issued within the mandatory period.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a monthly basis. Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

#### Audit Committee

**Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

The Audit Committee comprises three members. All three members are independent directors of the Company, who bring with them invaluable managerial and professional expertise in the financial, legal and business management sphere. Mr Lai Hock Meng is the Chairman of the Audit Committee.

The Audit Committee meets regularly with the Group's external auditors and its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

The Audit Committee, which met four times in the last financial year, performs the following functions:-

- Review compliance with statutory responsibilities relating to accounting policies and disclosures;
- Review regularly the adequacy of internal and external audit arrangements with particular emphasis on the quality and scope of these arrangements;
- Assess the adequacy of accounting, financial and operating controls;
- Recommend the appointment of external auditors to the Board and the approval of remuneration paid to the external auditors;
- Review quarterly and annual financial statements and announcements to shareholders before submission to the Board for approval;
- Ensure the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company;
- Review interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;
- Identify risks in the operations of the Group and monitoring procedures for managing those risks; and
- Conduct any other reviews as required by the Listing Manual of Singapore Exchange.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to, and co-operation of, the management and resources which are necessary to discharge its function properly. It also has full discretion to invite any executive director or executive officer to attend its meetings. The Audit Committee meets with the external auditors separately, at least once a year, without the presence of the Management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

The Audit Committee confirms that it has undertaken a review of all the non-audit services provided by the Company's auditor during the year and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

The Audit Committee confirms that it has reviewed and is satisfied that the Company has adequate expertise and resources to discharge its finance and accounting functions to the standards expected of a listed company with business operations in the PRC and Singapore.

While the Audit Committee supports the recommendation of the Code as regards the putting in place of arrangements for staff to raise concern in confidence ('whistle blowers'), the Audit Committee would like to make further observations on the development of such arrangements and more importantly the development of legislation to protect the whistle blowers.

## Internal Control

### **Principal 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.**

The Board recognises its responsibility in ensuring a sound system of internal controls to safeguard shareholder's investments and the Group's assets. For the financial year under review, the Board is of the view that there is no significant weakness or breakdown in the Group's existing system of internal controls and they provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal control could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Audit Committee will meet with the Company's external auditors to discuss the results of their examination and evaluation of the Group's system of internal accounting controls.

During the financial year, the Audit Committee, on behalf of the Board, had reviewed the effectiveness of the various systems put in place by the Management and is satisfied that there are adequate internal control in the Company.

## CORPORATE GOVERNANCE REPORT

### Internal Audit

**Principle 13: The company should establish an internal audit function that is independent of the activities it audits.**

The Audit Committee (“AC”) is assisted by the Internal Audit Group (“IAG”) of Delong Steel in reviewing and testing during the year the proper functioning and adequacy of the Company’s internal control system. The Company’s IAG is comprised of highly qualified personnel who meet the standards set by internationally recognized professional bodies. The IAG reports directly to the AC on internal audit matters and may request from it the necessary resources to adequately perform its functions. Whenever necessary, the IAG also reports to the Chairman on administrative matters. The AC endeavours to ensure that internal audit functions are adequately resourced and given appropriate standing within the Company.

To ensure the adequacy of the internal audit functions, the AC reviews the IAG’s activities on a quarterly basis.

### (D) COMMUNICATION WITH SHAREHOLDERS

#### Communication with Shareholders

**Principle 14: Companies should engage in regular, effective and fair communication with shareholders.**

The Company does not practise selective disclosure. All price-sensitive information is disseminated via SGXNET and such information is simultaneously posted on our corporate website at [www.dlholdings.com](http://www.dlholdings.com) and investor portal, [www.listedcompany.com/ir/delong](http://www.listedcompany.com/ir/delong).

#### Greater Shareholders Participation

**Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.**

Information is communicated to shareholders on a timely basis through:

- the Company’s annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the Singapore Financial Reporting Standards;
- quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period. These are issued via SGXNET onto the SGX website as well as in press releases;
- notices of and explanatory memoranda for AGM and extraordinary general meetings (“EGM”);
- media and analyst briefings for the Group’s quarterly and full year financial results as well as other briefings, as appropriate; and
- disclosures to the SGX-ST and press releases on major developments of the Group.

In addition, shareholders are encouraged to attend the AGM and EGM to ensure a high level of accountability and to stay informed of the Group’s strategies and goals. The AGM and EGM are the principal forum for dialogue with shareholders.

The notice of the AGM or EGM is dispatched to shareholders, together with explanatory notes in the annual report or a circular on items of special business, at least 14 working days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed Resolution. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM or EGM. The Board and the management are available at the meeting to answer questions that shareholders may have concerning the Company.

The Board supports the Code's principle to encourage shareholder participation. The Articles of Association allow a shareholder of the Company to appoint one or two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognize electronic voting.

The Board takes note that there should be separate resolution at general meetings on each substantially separate issue and supports the Code's principle as regards "bundling" of resolutions. The Board will provide reasons and material implications where resolutions are interlinked.

The Company's independent auditor, PricewaterhouseCoopers, are invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

#### **(E) DEALING IN SECURITIES**

The Company has adopted internal Code of Conduct on dealing in the Company's securities. The Code has been modelled along the rules in the listing manual of the SGX-ST in respect of dealing in securities. The Group has procedures in place prohibiting directors and senior executives of the Group from dealing in the Company's shares during the periods commencing one month prior to the announcement of the Company's quarterly, half yearly and full year results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Company. Directors and senior executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Board of Directors confirms that for the financial year ended 31 December 2007, the Company has complied with the listing rules of the SGX-ST in respect dealing in securities.

#### **(F) MATERIAL CONTRACTS**

Detailed information on material contract dated 18 February 2008 entered into between Best Decade Holdings Limited ("Best Decade"), the major controlling shareholder of the Company, Mr Ding Ligu and Ms Zhao Jing (shareholders of the Best Decade), and Evraz S.A. Group, are contained in page 80 of the Annual Report.

#### **(G) INTERESTED PERSON TRANSACTIONS**

The Company had established procedures to ensure that all transactions with interest persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

On 4 September 2007, Mr. Ding Ligu, a shareholder of the Company assigned to a subsidiary of the Company, Delong Holdings Limited, an option ("Cape Lambert Option") to acquire 40,000,000 shares in Cape Lambert Iron Ore Ltd ("Cape Lambert") a company listed on the Australia Securities Exchange ("ASX"), for the consideration of A\$4.8million, the same price that Mr. Ding Ligu initially paid to acquire the option from Cape Lambert on 9 May 2007.

## CORPORATE GOVERNANCE REPORT

### (H) RISK MANAGEMENT

The practice of risk management is undertaken by the Executive Directors and senior executives of each business division under the purview of the Board.

The Group continues to review on an on-going basis, management succession plans and other employee-related issues in an effort to recruit and retain a skilled and experienced workforce necessary for its business.

The Group recognises the risks associated with changes in laws and regulations and had reviewed its business plans in the light of legal and regulatory changes in the year. The Group will continue to monitor legal and regulatory changes to keep abreast with developments that may have an impact on its business and operations.

The Group's financial risk management is discussed under Note 30 of the Notes to the Financial Statements, on page 69 of the Annual Report.

The Board is satisfied with the risk management practice and that risks facing the Group had been adequately addressed.

### (I) STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2007, the Company has generally adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005.

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## FINANCIAL CONTENTS

## DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company at 31 December 2007.

### DIRECTORS

The directors of the Company in office at the date of this report are:

Ding Liguo  
 Guo Sanxiang  
 Bai Bao Hua  
 Hee Theng Fong  
 Lai Hock Meng (appointed 15 June 2007)

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company or related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	31.12.2007	At 1.1.2007 or date of appointment, if later	31.12.2007	At 1.1.2007 or date of appointment, if later
<b>The Company</b> ( <u>Ordinary shares</u> )				
Ding Liguo	-	-	<b>412,375,000</b>	412,375,000
<b>Best Decade Holdings Limited</b> ( <u>Ordinary shares of (US\$1 each)</u> )				
Ding Liguo	<b>700</b>	700	<b>300</b>	300

## DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

- (b) Mr Ding Ligu, who by virtue of his deemed interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries.
- (c) The directors' interests in the shares of the Company at 21 January 2008 were the same at 31 December 2007.

### DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in this report.

### SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company or any subsidiary.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and any subsidiary.

There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

### INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers, has expressed its willingness to accept re appointment.

On behalf of the directors

**DING LIGUO**  
Director

20 March 2008

**GUO SANXIANG**  
Director

## STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 34 to 80 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

**DING LIGUO**

Director

20 March 2008

**GUO SANXIANG**

Director

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELONG HOLDINGS LIMITED

We have audited the accompanying financial statements of Delong Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 80, which comprise the balance sheets of the Company and of the Group as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**PricewaterhouseCoopers**  
Public Accountants and  
Certified Public Accountants

Singapore, 20 March 2008

## CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Group	
	Note	2007 \$'000	2006 \$'000
<b>Continuing operations</b>			
Sales of goods		1,541,986	843,323
Cost of sales		(1,355,957)	(688,467)
Gross profit		186,029	154,856
Other (losses)/gains – net	3	(3,395)	3,188
Expenses			
- Distribution and marketing		(4,288)	(4,821)
- Administrative		(26,062)	(17,235)
- Finance	6	(33,255)	(6,038)
Profit before income tax		119,029	129,950
Income tax expense	7	(25,270)	(14)
<b>Profit from continuing operations</b>		<b>93,759</b>	129,936
<b>Discontinued operations</b>	8		
Profit from discontinued operations		-	1,290
<b>Total profit</b>		<b>93,759</b>	131,226
<b>Attributable to:</b>			
Equity holders of the Company		93,759	131,226
<b>Earnings per share for profit from continuing operations</b>			
(expressed in cents per share)	9		
- Basic		17.6	24.5
- Diluted		17.5	24.4
<b>Earnings per share for profit from discontinued operations</b>			
(expressed in cents per share)	9		
- Basic		-	0.2
- Diluted		-	0.2

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2007

		Group	
	Note	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	196,594	37,274
Bank balances pledged	11	33,922	23,799
Financial assets, at fair value through profit and loss	12	4,750	-
Trade and other receivables	13	31,662	31,781
Inventories	14	241,214	101,557
Other current assets	15	44,881	30,610
		553,023	225,021
<b>Non-current assets</b>			
Trade and other receivables	16	7,031	-
Financial assets, available-for-sale	18	13,918	1,975
Investment property	20	3,261	3,330
Property, plant and equipment	21	686,747	534,434
		710,957	539,739
<b>Total assets</b>		1,263,980	764,760
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	22	324,571	229,426
Notes payables		42,494	31,600
Borrowings	23	161,008	164,300
Current income tax liabilities	7	11,127	7,356
		539,200	432,682
<b>Non-current liabilities</b>			
Borrowings	23	82,143	15,231
Convertible bonds	24	258,454	-
		340,597	15,231
<b>Total liabilities</b>		879,797	447,913
<b>NET ASSETS</b>		384,183	316,847
<b>EQUITY</b>			
Share capital	25	69,520	67,404
Capital reserve	26	49,660	-
Statutory reserves	26	28,544	28,544
Foreign currency translation reserve		(5,545)	(7,565)
Retained earnings	26	242,004	228,464
		384,183	316,847

The accompanying notes form an integral part of these financial statements.

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	Company	
		2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	162,544	2,756
Financial assets, at fair value through profit and loss	12	4,750	-
Trade and other receivables	13	41,338	81,605
Other current assets	15	76	82
		<b>208,708</b>	<b>84,443</b>
<b>Non-current assets</b>			
Other receivables	16	131,377	14,515
Financial assets, available-for-sale	18	11,923	-
Investments in subsidiaries	19	376,044	372,271
Property, plant and equipment	21	66	86
		<b>519,410</b>	<b>386,872</b>
<b>Total assets</b>		<b>728,118</b>	<b>471,315</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	22	3,357	2,196
Borrowings	23	2	2
Current income tax liabilities	7	94	8
		<b>3,453</b>	<b>2,206</b>
<b>Non-current liabilities</b>			
Borrowings	23	8	10
Convertible bonds	24	258,454	-
		<b>258,462</b>	<b>10</b>
<b>Total liabilities</b>		<b>261,915</b>	<b>2,216</b>
<b>NET ASSETS</b>		<b>466,203</b>	<b>469,099</b>
<b>EQUITY</b>			
Share capital	25	406,164	404,048
Retained earnings		60,039	65,051
		<b>466,203</b>	<b>469,099</b>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Share capital	Capital reserve	Statutory reserves	Foreign currency translation reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
<b>Balance as at 1 January 2007</b>	67,404	-	28,544	(7,565)	228,464	316,847
Net profit for the year	-	-	-	-	93,759	93,759
Currency translation differences recognised directly in equity			-	2,020	-	2,020
<b>Total recognised gains and losses for financial year</b>	-	-	-	2,020	93,759	95,779
Issue of shares upon exercise of warrants (Note 25)	2,116	-	-	-	-	2,116
Equity component of convertible bonds issued (Note 26)		49,660				49,660
Dividend paid (Note 27)	-	-	-	-	(80,219)	(80,219)
<b>Balance as at 31 December 2007</b>	69,520	49,660	28,544	(5,545)	242,004	384,183
<b>Balance as at 1 January 2006</b>	58,377	8,648	15,374	2,378	134,287	219,064
Net profit for the year	-	-	-	-	131,226	131,226
Currency translation differences recognised directly in equity	-	-	-	(9,943)	-	(9,943)
<b>Total recognised gains and losses for financial year</b>	-	-	-	(9,943)	131,226	121,283
Effect of Companies (Amendment) Act 2005 (see note (a) below)	8,648	(8,648)	-	-	-	-
Issue of shares pursuant to exercise of warrants (Note 25)	379	-	-	-	-	379
Dividend paid (Note 27)	-	-	-	-	(23,879)	(23,879)
Transfer from retained earnings to statutory reserves	-	-	13,170	-	(13,170)	-
<b>Balance as at 31 December 2006</b>	67,404	-	28,544	(7,565)	228,464	316,847

- (a) Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 became part of the Company's share capital.

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>			
Profit after income tax		93,759	131,226
Adjustments for:			
Income tax	7	25,270	216
Depreciation		52,254	25,219
Gain on disposal of a subsidiary		(53)	-
Gain on disposals of property, plant and equipment		(33)	(952)
Gain on disposal of financial assets, fair value through profit or loss		(485)	-
Fair value loss on financial assets, fair value through profit or loss		572	-
Interest income		(8,976)	(1,034)
Interest expenses		32,484	4,436
Unrealised translation loss		12,857	-
<b>Operating cash flow before working capital change</b>		<b>207,649</b>	<b>159,111</b>
Changes in operating assets and liabilities			
Bank balances pledged		(10,123)	(6,161)
Receivables		(20,638)	(13,757)
Inventories		(139,657)	(29,282)
Payables		117,057	70,653
<b>Cash generated from operations</b>		<b>154,288</b>	<b>180,564</b>
Income tax paid		(21,498)	(14,569)
<b>Net cash inflow from operating activities</b>		<b>132,790</b>	<b>165,995</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(211,355)	(182,831)
Disposal of subsidiary, net cash disposed of	10	(646)	-
Purchases of financial assets, available-for-sale		(11,923)	-
Purchases of financial assets, fair value through profit or loss		(7,654)	-
Proceeds from disposal of financial assets, fair value through profit or loss		2,817	-
Proceeds from disposal of property, plant and equipment		1,084	952
Interest received		8,976	1,034
<b>Net cash outflow from investing activities</b>		<b>(218,701)</b>	<b>(180,845)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		320,847	175,872
Repayment of borrowings		(257,227)	(106,877)
Proceeds from issuance of convertible bonds		296,479	-
Proceeds from warrants conversion		2,116	379
Dividend paid		(80,219)	(23,879)
Interest paid		(23,908)	(8,650)
<b>Net cash inflow from financing activities</b>		<b>258,088</b>	<b>36,845</b>
<b>Net increase in cash and cash equivalents</b>		<b>172,177</b>	<b>21,995</b>
Cash and cash equivalents at the beginning of the financial year		37,274	15,279
Effects of currency translation on cash and cash equivalents		(12,857)	-
Cash and cash equivalents at the end of the financial year	10	<b>196,594</b>	<b>37,274</b>

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. GENERAL

Delong Holdings Limited (the “Company”) is incorporated and domiciled in Singapore and listed on the Singapore Exchange Securities Trading Limited. The address of its registered office and principal place of business is 80 Raffles Place, #56-02 UOB Plaza 1, Singapore 048624.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 34.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

#### *Interpretation and amendments to published standards effective in 2007*

On 1 January 2007, the Group adopted the new or revised FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Company’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements - Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures

The adoption of the above FRS did not result in any substantial changes to the Group’s accounting policies. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of value added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(a) *Sale of goods and scrap materials*

Revenue from sales of goods and scrap materials are recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and the collectibility of the related receivables is reasonably assured.

(b) *Government grant*

Government grant from the government is not directly attributable to any operating costs or assets and is recognised at fair value where there is reasonable assurance that the grant income will be received and all attaching conditions will be complied with.

(c) *Interest income*

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(d) *Rental income*

Rental income from operating lease on investment property is recognised on a straight-line basis over the lease term.

#### 2.3 Group accounting

##### *Reverse acquisition*

Pursuant to the reverse acquisition ("Acquisition") of the Company by Asia Paragon International Limited ("Asia Paragon") effected on 1 January 2005, the Group's consolidated income statement, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2005 have been prepared as continuation of Asia Paragon's financial statements.

For the purpose of reverse acquisition accounting, the cost of acquisition by Asia Paragon (the legal subsidiary) of the Company (the legal parent) is recorded as equity. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition being 165,850,000 shares at \$0.075 per share totalling \$12,439,000. It is deemed to be incurred by the legal subsidiary in the form of equity issued to the owners of the legal parent.

Since such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary (i.e. Asia Paragon Group),

- (i) the assets and liabilities of Asia Paragon Group are recognised and measured in the consolidated balance sheet at their pre-combination carrying amounts;
- (ii) the retained earnings and other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Asia Paragon Group immediately before the business combination; and

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Group accounting (continued)

##### *Reverse acquisition (continued)*

- (iii) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of Asia Paragon immediately before the business combination the costs of the combination of the acquisition. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent (i.e. the Company) to reflect the combination.

In the Company's (ie. the legal parent of the Group) separate financial statements, the investment in Asia Paragon (the legal subsidiary) is accounted for in accordance with the requirements of FRS 27 "Consolidated and Separate Financial Statements" (Note 2.7).

##### *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Business acquired pursuant to the reorganisation of companies under common control in 2004 has been accounted for using the pooling-of-interest method. Accordingly, the Group's results have been presented as if the business has always been part of the Group.

Please refer to Note 2.7 for the Company's accounting policy on investments in subsidiaries.

#### 2.4 Property, plant and equipment

##### (a) *Measurement*

###### (i) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.8).

###### (ii) *Component of costs*

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Property, plant and equipment (continued)

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Estimated useful lives</u>
Leasehold land	Over the lease period, 41 to 49 years
Leasehold buildings	The shorter of 20 years or the lease term
Plant and equipment	10 years
Motor vehicles and others	5 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(e) *Construction in progress*

Construction in progress represents costs incurred in the construction of property, plant and equipment and other tangible assets. Costs comprise direct costs of construction, including borrowing costs incurred during the period of construction, installation and testing (Note 2.5).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are ready for its intended use or put into use.

#### 2.5 Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction of property, plant and equipment. The actual borrowing costs incurred during the period of time that is required to complete and prepare the asset for its intended use, are capitalised in the cost of the property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Investment property

Investment property of the Group is held for long-term rental yields and is not occupied by the Group. Investment property is treated as property in accordance with FRS 16 "Property, plant and equipment" (Note 2.4).

#### 2.7 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses (Note 2.8) in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments are recognised in the income statement.

#### 2.8 Impairment of non-financial assets

*Property, plant and equipment*

*Investment property*

*Investment in subsidiaries*

Property, plant and equipment, investment property and investments in subsidiaries are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Financial assets

##### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

##### (i) *Financial assets, at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" on the balance sheet.

##### (iii) *Available-for-sale financial assets*

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

##### (b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

##### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Financial assets (continued)

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Unquoted investments for which fair values cannot be reliably measured are carried at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividend, are recognised in the income statement when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in the income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) *Financial assets, available-for-sale*

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement on debt securities. The impairment losses recognised in the income statement on equity securities are not reversed through the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.10 Financial guarantees

The Group and the Company have issued corporate guarantees to banks for bank borrowings of third parties (Note 28) and its subsidiaries respectively. These guarantees are financial guarantee contracts as they require the Group and the Company to reimburse the banks if the third parties or subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values (if material) plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the third parties' and subsidiaries' borrowings, unless the Group or the Company has incurred an obligation to reimburse the banks for an amount higher than the unamortised amount.

In this case, the financial guarantees contracts shall be carried at the expected amount payable to the bank.

#### 2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

##### (a) *Borrowings*

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

##### (b) *Convertible bonds*

When convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

#### 2.12 Trade and other payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

#### 2.14 Leases

##### (a) *When the Group is the lessee:*

Leases of factories and warehouses where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement when incurred.

##### (b) *When the Group is the lessor:*

The Group leases equipment under finance leases and investment property under operating leases to other parties.

##### (i) Lessor - Finance leases

Leases where the Group transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.14 Leases (continued)

(b) *When the Group is the lessor: (continued)*

##### (ii) Lessor - Operating leases

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement when earned.

#### 2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### 2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

#### 2.18 Employee benefits

##### (a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund (“CPF”) and social security bureaus in People’s Republic of China (“PRC”) as described below, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial period. The Group’s contribution to defined contribution plans are recognised in the financial period to which they relate.

The Group participates in retirement insurance scheme organised by the social security bureau in the PRC pursuant to the relevant provisions. The subsidiaries in PRC are required to make monthly contribution in respect of the above insurance schemes to the PRC social security bureau based on the monthly salaries of its employees.

##### (b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### 2.19 Currency translation

##### (a) *Functional and presentation currency*

Items included in the financial information of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). With effect from 1 January 2007, the Company changed its functional currency to Chinese Renminbi as this will result in the financial statements providing more reliable and relevant information about the effects of transactions, other events or conditions on the Company’s financial position, financial performance or cash flows. Previously, the Company used Singapore Dollar as its functional currency. The change in functional currency has no significant effect on the financial statements of the Group as at 31 December 2006 and for the year then ended. The Company’s functional currency is Chinese Renminbi. The financial information is presented in Singapore Dollar as the Company is incorporated and listed in Singapore.

##### (b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.19 Currency translation (continued)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve.

#### 2.20 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

#### 2.21 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and exclude balances which are subject to restrictions.

#### 2.22 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**3. OTHER GAINS/(LOSSES) - NET**

	Group	
	2007 \$'000	2006 \$'000
Sale of scrap materials	1,583	476
Government grants	193	2,033
Interest income		
- bank deposits	8,653	640
- loan to investee company	323	320
Gain on disposal of financial assets at fair value through profit or loss	485	-
Fair value loss – financial assets at fair value through profit or loss	(572)	-
Rental income from investment property	396	396
Gain on disposal of property, plant and equipment	33	952
Gain on disposal of subsidiary (Note 10)	53	-
Currency translation loss – net	(12,951)	(647)
Pre-operating expenses of new subsidiaries	(1,966)	-
Other	375	(982)
	<b>(3,395)</b>	<b>3,188</b>

**4. EXPENSES BY NATURE**

	Group	
	2007 \$'000	2006 \$'000
Raw materials, finished goods and consumables	1,439,531	689,268
Changes in inventories of raw materials, work-in-progress and finished goods	(138,528)	(29,282)
Depreciation of property, plant and equipment (Note 21)	52,185	25,150
Depreciation of investment property (Note 20)	69	69
Total depreciation	52,254	25,219
Employee compensation (Note 5)	22,930	17,814
Rental on operating leases	528	405
Transportation	3,692	4,354
Other expenses	5,900	2,745
Total cost of sales, distribution and marketing and administrative expenses	<b>1,386,307</b>	<b>710,523</b>

**5. EMPLOYEE COMPENSATION**

	Group	
	2007 \$'000	2006 \$'000
Wages and salaries	22,114	15,369
Employer's contribution to defined contribution plans	816	2,445
	<b>22,930</b>	<b>17,814</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 6. FINANCE EXPENSE

	Group	
	2007 \$'000	2006 \$'000
Interest expense		
- bank borrowings	13,686	8,320
- finance lease liabilities	1	1
- convertible bonds	11,047	-
Less: Amount capitalised in construction-in-progress	(2,471)	(4,219)
Interest expenses on borrowings recognised in income statement	22,263	4,102
Bills discounting charges/(income) – net	10,221	1,541
Bank charges	771	395
Net finance expense	33,255	6,038

### 7. INCOME TAXES

#### (a) Income tax expense

	Group	
	2007 \$'000	2006 \$'000
Tax expense attributable to profit is made up of:		
- Profit from current financial year		
<i>From continuing operations</i>		
Current income tax		
- Singapore	120	8
- Foreign	25,143	-
	25,263	8
<i>From discontinued operations</i>		
Current income tax		
- Singapore	-	280
- Foreign		41
- Under/(over) provision in preceding financial years		
<i>From continuing operations</i>		
Current income tax	7	6
<i>From discontinued operations</i>		
Current income tax		21
Deferred income tax	-	(140)
	25,270	216

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**7. INCOME TAXES (CONTINUED)**(a) Income tax expense (continued)

	Group	
	2007 \$'000	2006 \$'000
Tax expense is attributable to:		
- continuing operations	25,270	14
- discontinued operations	-	202
	<b>25,270</b>	<b>216</b>

Delong Steel Limited ("Delong Steel"), a wholly foreign-owned enterprise ("WFOE") established under the laws of the People's Republic of China, was exempt from the People's Republic of China enterprise income tax in the two financial years ended 31 December 2005 and 2006.

With effect from 1 January 2007, Delong Steel is entitled to a three-year 50% tax reduction from the People's Republic of China enterprise income tax of 30% whereby it pays income tax at a concessionary rate of 15%.

With effect from 1 January 2008, any profit to be remitted out of China in the form of dividend to foreign enterprises is subject to withholding tax. Dividends declared out of profits earned prior to 1 January 2008 are exempted from such withholding tax.

## (b) The Group's operations are mainly in the PRC. The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 30% due to the following:

	Group	
	2007 \$'000	2006 \$'000
Profit before tax	119,029	129,950
Tax calculated at tax rate of 30% (2006: 30%)	35,709	38,985
Effects of:		
Different exchange rates in other countries	(2,222)	(188)
Expenses not deducted for tax	12,852	668
Income not subject to tax	-	(39,422)
50% tax reduction	(21,023)	-
Statutory stepped income exemption	(53)	(35)
Tax charge	<b>25,263</b>	<b>8</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 7. INCOME TAXES (CONTINUED)

#### (c) Movements in current income tax liabilities

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at beginning of financial year	7,356	21,568	8	7
Currency translation differences	(1)	1	-	-
Under/(over) provision in preceding years	7	28	-	-
Income tax paid	(21,498)	(14,569)	(8)	(7)
Tax expense on profit for the current financial year	25,263	328	94	8
Balance at end of financial year	11,127	7,356	94	8

### 8. DISCONTINUED OPERATIONS

With effect from 1 January 2007, the Group ceased its trading business. The sales and results of the trading segment is presented separately on the income statement as "Discontinued operations".

An analysis of the results of the discontinued operations is as follows:

	Group	
	2007 \$'000	2006 \$'000
Revenue	-	102,023
Expenses	-	(100,531)
Profit before tax from discontinued operations	-	1,492
Tax	-	(202)
Profit after tax from discontinued operations	-	1,290

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2007 \$'000	2006 \$'000
Operating cash flows	-	2,510
Investing cash flows	-	-
Financial cash flows	-	(1,576)
Total cash flows	-	934

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**9. EARNINGS PER SHARE****(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
Net profit attributable to members of the Company (S\$'000)	<b>93,759</b>	129,936	-	1,290	<b>93,759</b>	131,226
Weighted average number of ordinary shares in issue for basic earnings per share* ('000)	<b>533,933</b>	530,531	<b>533,933</b>	530,531	<b>533,933</b>	530,531
Basic earnings per share (expressed in cents)	<b>17.6</b>	24.5	-	0.2	<b>17.6</b>	24.7

**(b) Diluted earnings per share**

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 the outstanding warrants as at 31 December 2007. The convertible bonds, if converted into ordinary shares of the Company on 31 December 2007, do not have a dilutive effect.

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
Net profit attributable to members of the Company (S\$'000)	<b>93,759</b>	129,936	-	1,290	<b>93,759</b>	131,226
Weighted average number of ordinary shares in issue for basic earnings per share* ('000)	<b>533,933</b>	530,531	<b>533,933</b>	530,531	<b>533,933</b>	530,531
Adjustments for assumed conversion of warrants* ('000)	<b>572</b>	2,927	<b>572</b>	2,927	<b>572</b>	2,927
Weighted average number of ordinary shares for diluted earnings per share* ('000)	<b>534,505</b>	533,458	<b>534,505</b>	533,458	<b>534,505</b>	533,458
Diluted earnings per share (expressed in cents)	<b>17.5</b>	24.4	-	0.2	<b>17.5</b>	24.6

\* The Company consolidated 10 existing ordinary shares into 1 new ordinary share on 17 May 2007. For comparative purposes, the weighted average number of shares outstanding for basic and diluted earnings per share for the financial year ended 31 December 2006 have been adjusted for them to be stated on the comparable basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 10. CASH AND CASH EQUIVALENTS

The cash and cash equivalents comprise the following:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and on hand	<b>68,073</b>	32,688	<b>37,175</b>	1,246
Fixed deposits with bank	<b>128,521</b>	4,586	<b>125,369</b>	1,510
Cash and cash equivalents per cash flow statement	<b>196,594</b>	37,274	<b>162,544</b>	2,756

The remittance of funds denominated in Renminbi ("RMB") out of the PRC is subject to the exchange restrictions imposed by the State Administration of Foreign Exchange of China in PRC.

#### Disposal of subsidiary

On 7 February 2007, the Group disposed of its 100% interest in Delong Yuntong Steel International Trading (Beijing) Co., Ltd for a cash consideration of S\$10,701,000. The effects of the disposal on the cashflows of the Group were:

	Group	
	2007 \$'000	2006 \$'000
Property, plant and equipment	<b>81</b>	-
Other current assets	<b>10,156</b>	-
Cash and bank balances	<b>646</b>	-
Trade and other payables	<b>(235)</b>	-
	<b>10,648</b>	-
Gain on disposal	<b>53</b>	-
Sales consideration receivable	<b>10,701</b>	-
Net cash outflow on disposal of a subsidiary	<b>646</b>	-

### 11. BANK BALANCES PLEDGED

These bank balances, denominated in RMB, were pledged for notes payables amounting to \$42,494,000 as at 31 December 2007 (2006: \$31,600,000).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**12. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group and Company	
	2007 \$'000	2006 \$'000
<i>Held for trading</i>		
Listed equity securities – Hong Kong	3,375	-
Structured notes	1,375	-
	<b>4,750</b>	-

The fair value of the structured notes issued by financial institution is based on the quoted prices of the underlying listed equity securities against which the structured notes is pegged.

**13. TRADE AND OTHER RECEIVABLES - CURRENT**

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Finance lease receivables (Note 17)	710	-	-	-
Trade receivables	217	1,782	35	5
Notes receivable	25,942	25,329	-	-
Dividend receivable from a subsidiary	-	-	41,200	81,600
Due from an investee company – non-trade	4,682	4,635	-	-
Other receivables	111	35	103	-
	<b>31,662</b>	<b>31,781</b>	<b>41,338</b>	<b>81,605</b>

Amount due from an investee company was non-trade, unsecured, bearing interest at 6.903% per annum (2006: 6.903% per annum) and repayable upon demand.

**14. INVENTORIES**

	Group	
	2007 \$'000	2006 \$'000
Raw materials	153,738	56,980
Work-in-progress	41,603	26,225
Finished goods	11,175	2,394
Production supplies	34,698	15,958
	<b>241,214</b>	<b>101,557</b>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to \$1,301,003,000 (2006: \$759,533,000).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 15. OTHER CURRENT ASSETS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deposits	58	59	58	59
Prepayments	28,649	29,588	14	17
Other	16,174	963	4	6
	<b>44,881</b>	<b>30,610</b>	<b>76</b>	<b>82</b>

### 16. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Finance lease receivables (Note 17)	7,031	-	-	-
Loans to subsidiaries	-	-	130,217	14,507
Advance to a subsidiary	-	-	1,160	8
	<b>7,031</b>	<b>-</b>	<b>131,377</b>	<b>14,515</b>

Loans to subsidiaries are unsecured, interest-free, and are not expected to be repaid in the next 12 months.

The carrying amounts of loans and advance to subsidiaries approximate their fair values.

The fair value of finance lease receivables is computed based on cash flows discounted using market borrowing rate. The fair value and the market borrowing rate used is as follows:

	Group		Borrowing rates	
	2007 \$'000	2006 \$'000	2007 %	2006 %
Finance lease receivables (Note 17)	7,031	-	10.65	-

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**17. FINANCE LEASE RECEIVABLES**

The Group leases equipment to related parties under finance leases. The various agreements terminate in 2012.

	Group	
	2007 \$'000	2006 \$'000
Gross receivables due		
- Not later than one year	770	-
- Later than one year but within five years	10,056	-
	<b>10,826</b>	-
Less: Unearned finance income	(3,085)	-
Net investment in finance leases	<b>7,741</b>	-

The net investment in finance leases is analysed as follows:

	Group	
	2007 \$'000	2006 \$'000
- Not later than one year (Note 13)	710	-
- Later than one year but within five years (Note 16)	7,031	-
	<b>7,741</b>	-

**18. FINANCIAL ASSETS, AVAILABLE-FOR-SALE**

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Beginning of financial year	1,975	2,075	-	-
Currency translation differences	20	(100)	-	-
Additions	11,923	-	11,923	-
End of financial year	<b>13,918</b>	1,975	<b>11,923</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 18. FINANCIAL ASSETS, AVAILABLE-FOR-SALE (CONTINUED)

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Listed securities</b>				
- 12,000,000 shares in Cape Lambert Iron Ore Limited ("Cape Lambert")	7,873	-	7,873	-
<b>Unlisted securities</b>				
- 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd	1,995	1,975	-	-
- Option to subscribe for 28,000,000 shares in Cape Lambert	4,050	-	4,050	-
	<b>13,918</b>	1,975	<b>11,923</b>	-

Investment in Hebei Zhongmei Xuyang Coking Co., Ltd, a privately-owned enterprise established in the People's Republic of China and is principally engaged in coking, is carried at cost, as the Directors are of the view that the fair value cannot be reliably measured. There is no active market for this unlisted equity investment and its fair value cannot currently be estimated within a reasonable range. There is currently no intention to dispose of this investment in the foreseeable future. For information purposes only and without asserting it to be a fair value disclosure, the Group's share of the net assets of the investee company, based on its unaudited financial information, is approximately \$6.8 million at the balance sheet date.

On 4 September 2007, the Group acquired the option to subscribe for 40,000,000 shares (the "Option") in Cape Lambert Iron Ore Ltd ("Cape Lambert") from Mr. Ding Liguu, a controlling shareholder of the Company (Note 32). The Option entitles the Company, for a period of three and a half years from 4 September 2007, to subscribe, in whole or in part, for 40,000,000 new shares in Cape Lambert at the subscription price of A\$0.377 per share.

On 4 September 2007, the Group exercised part of the Option to acquire 12,000,000 new shares in Cape Lambert at the exercise price of A\$0.377 per share, which constitute approximately 4.4% of the total issued and paid-up share capital of Cape Lambert. The cost of the remaining unexercised Option is a substantial component of the total cost of the shares to be acquired upon the exercise of the Option. As the shares will be categorised as available-for-sale financial assets, the Option is similarly categorised.

Cape Lambert is a company incorporated in the state of Western Australia and is listed on the Australian Securities Exchange. Cape Lambert is in the business of mining for minerals such as iron ore.

Available-for-sale financial assets are measured in accordance with the accounting policy as set out in Note 2.9.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**19. INVESTMENT IN SUBSIDIARIES**

	Company	
	2007 \$'000	2006 \$'000
Equity investment at cost		
- unquoted	<b>376,044</b>	372,271

During the financial year, the Group incorporated the following subsidiaries:

- (i) Xingtai Xinlong Coal-Gas Limited;
- (ii) Xingtai Delong Machinery and Mill Roll Co., Ltd;
- (iii) Tianjin Detong Leasing Co., Ltd; and
- (iv) DL Resources (Australia) Pty Ltd

Details of subsidiaries are provided in Note 34.

**20. INVESTMENT PROPERTY**

	Group	
	2007 \$'000	2006 \$'000
<i>Cost</i>		
At 1 January and 31 December	<b>3,466</b>	3,466
<i>Accumulated depreciation</i>		
At 1 January	<b>136</b>	67
Depreciation	<b>69</b>	69
At 31 December	<b>205</b>	136
<b>Net book value</b>	<b>3,261</b>	3,330

It is the intention of the Group to hold the investment property for long-term rental yields. The fair value of the investment property approximates \$3,450,000 (2006: \$3,200,000) at the balance sheet date, as advised by an independent professional valuer on the highest-and-best-use basis. The investment property is leased to a non-related party under operating leases (Note 29) and is mortgaged to secure bank loans (Note 23). Details of the investment property are as follow:

Location:	1 Changi South Street 1, Singapore 486797
Area:	5,236sq m
Description:	Factory warehouse and office space
Tenure:	Leasehold expiring on 30 May 2056

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 20. INVESTMENT PROPERTY (CONTINUED)

The following amounts are recognised in the income statements:

	Group	
	2007 \$'000	2006 \$'000
Rental income	396	396
Direct operating expenses arising from investment properties that generated rental income	7	5
Property tax and other direct operating expenses arising from an investment property that did not generate rental income	125	139

### 21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Leasehold buildings	Plant and equipment	Motor vehicles and others	Construction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
<i>Cost</i>						
At 1 January 2007	13,060	129,959	443,675	8,660	21,602	616,956
Currency translation differences	132	1,317	4,494	88	219	6,250
Additions	-	122	3,480	6,963	188,908	199,473
Disposals	(91)	-	(2)	(1,703)	-	(1,796)
Transfers in/(out)	-	32,627	123,624	163	(156,414)	-
At 31 December 2007	13,101	164,025	575,271	14,171	54,315	820,883
<i>Accumulated depreciation</i>						
At 1 January 2007	940	14,080	63,549	3,953	-	82,522
Charge for the year	328	6,643	43,449	1,765	-	52,185
Disposals	(4)	-	(1)	(740)	-	(745)
Currency translation differences	5	55	74	40	-	174
At 31 December 2007	1,269	20,778	107,071	5,018	-	134,136
<i>Net book value</i>						
At 31 December 2007	11,832	143,247	468,200	9,153	54,315	686,747

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Leasehold land	Leasehold buildings	Plant and equipment	Motor vehicles and others	Construction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
<i>Cost</i>						
At 1 January 2006	13,721	63,784	179,234	7,922	151,730	416,391
Currency translation differences	(661)	(3,075)	(8,631)	(382)	(7,315)	(20,064)
Additions	-	206	529	1,084	218,810	220,629
Transfers in/(out)	-	69,044	272,543	36	(341,623)	-
At 31 December 2006	13,060	129,959	443,675	8,660	21,602	616,956
<i>Accumulated depreciation</i>						
At 1 January 2006	642	10,631	46,305	2,765	-	60,343
Charge for the year	330	3,972	19,523	1,325	-	25,150
Currency translation differences	(32)	(523)	(2,279)	(137)	-	(2,971)
At 31 December 2006	940	14,080	63,549	3,953	-	82,522
<i>Net book value</i>						
<b>At 31 December 2006</b>	12,120	115,879	380,126	4,707	21,602	534,434
				Office renovation	Office equipment	Total
				\$'000	\$'000	\$'000
<b>Company</b>						
<i>Cost</i>						
At 1 January 2007			90		19	109
Additions			-		2	2
At 31 December 2007			90		21	111
<i>Accumulated depreciation</i>						
At 1 January 2007			19		4	23
Depreciation charge			18		4	22
At 31 December 2007			37		8	45
<i>Net book value</i>						
<b>At 31 December 2007</b>			53		13	66

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office renovation \$'000	Office equipment \$'000	Total \$'000
<b>Company</b>			
<i>Cost</i>			
At 1 January 2006	90	4	94
Additions	-	15	15
At 31 December 2006	90	19	109
<i>Accumulated depreciation</i>			
At 1 January 2006	1	-	1
Depreciation charge	18	4	22
At 31 December 2006	19	4	23
<i>Net book value</i>			
At 31 December 2006	71	15	86

- a) Certain bank loans were secured by property, plant and equipment with carrying values as at 31 December 2007 of approximately \$238 million (31 December 2006: \$181 million) (Note 23(a)).
- b) For capitalised interest in construction in progress, please refer to Note 6 to the financial statements.

### 22. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables to:				
- Third parties	84,537	68,954	-	-
- Subsidiary	-	-	-	1,335
VAT and other taxes payable	2,198	1,136	-	-
Payable to contractors for construction-in-progress	36,951	51,223	-	-
Advances from customers	182,014	90,798	-	-
Other accrual for operating expenses	1,171	2,646	755	354
Staff and workers' bonus and welfare fund (Note 26c)	2,034	2,055	-	-
Deposit from tenant	99	99	-	-
Deposit from staff and workers	1,397	4,865	-	-
Due to directors (non-trade)	3,328	895	2,565	498
Deferred Income	3,359	-	-	-
Other payables	7,483	6,755	37	9
	<b>324,571</b>	<b>229,426</b>	<b>3,357</b>	<b>2,196</b>

Amounts due to directors (non-trade) are unsecured, interest-free and repayable within the next twelve months.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**23. BORROWINGS**

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Current</i>				
Finance lease liabilities	2	2	2	2
Bank borrowings				
- Unsecured	65,734	-	-	-
- Secured (a)	71,332	105,383	-	-
- Guaranteed (b)	23,940	58,915	-	-
	<b>161,008</b>	164,300	<b>2</b>	2
<i>Non-current</i>				
Finance lease liabilities	8	10	8	10
Bank borrowings				
- Unsecured	4,241	4,643	-	-
- Secured (a)	51,959	4,653	-	-
- Guaranteed (b)	25,935	5,925	-	-
	<b>82,143</b>	15,231	<b>8</b>	10
Total borrowings	<b>243,151</b>	179,531	<b>10</b>	12

(a) Security granted

As at 31 December 2007 these bank loans were secured by certain property, plant and equipment (Note 21) and an investment property (Note 20).

The bank loans were guaranteed by third parties, and Mr Ding Liguo, a Director of the Company. In return, the Group has provided guarantee to banks for borrowings of certain of these third parties as at 31 December 2007 (see Note 28).

(b) Fair value of non-current borrowings

The carrying amounts of borrowings approximate their fair values. Most of the borrowings bear variable interest rates.

**24. CONVERTIBLE BONDS**

On 8 June 2007, the Company issued zero coupon convertible bonds denominated in RMB with a nominal value of RMB1,532,000,000, and are due for repayment on 8 June 2012. The convertible bonds are convertible at the option of the holders, at any time from 19 July 2007 to 1 June 2012, into new ordinary shares of the Company at a conversion price of \$4.455 (using a fixed exchange rate of S\$1 to RMB5.02). The new ordinary shares to be issued upon conversion of the convertible bonds when allotted and issued, will in all respects, rank pari passu with the existing shares in issue. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 116.05% of the principal amount outstanding on 8 June 2012.

The Company may, at its option at any time on or after 8 June 2009, but not less than seven business days prior to the maturity date, redeem the bonds, in whole or in part, at an amount which is determined so that it represents for the bond holder a gross yield of 3% per annum calculated on a semi-annual basis, if the closing price of the shares of the Company is at least 125% of the applicable early redemption amount. The Company may, at its option at any time, redeem, in whole but not in part, the bonds if less than 10% of the aggregate principal amount of the bonds is outstanding, or in the event of certain changes in the tax laws in the People's Republic of China or Singapore that would require the Company to gross up for payment of premium, if any, or to gross up for the payment of principal.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 24. CONVERTIBLE BONDS (CONTINUED)

The bond holder has the right to require the Company to redeem all of its bonds if the shares ceased to be listed on the Singapore Exchange Securities Trading Limited or in the event of a change of control of the Company (Note 35).

So long as any bond remains outstanding, the Group shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon any part of their present or future undertaking, assets or revenues to secure borrowings without meeting certain conditions.

The fair values of the liability component and the equity conversion component were determined at inception of the bonds. The fair value of the liability component was calculated by reference to a comparable market interest rate of 6.75% per annum for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in capital reserves.

The total number of new ordinary shares of the Company to be issued upon full conversion of all the bonds is 68,502,644 shares, representing 11.34% of the enlarged share capital of the Company (including 630,734 shares issuable upon the exercise of warrants previously issued by the Company).

Included in the transaction costs for the issuance of the convertible bonds is the non-audit fee paid to the independent auditor of the Company amounting to \$298,000, relating to work performed on the financial information of the Group.

### 25. SHARE CAPITAL

#### Issued ordinary share capital

	Group and Company		Group		Company	
	2007 Shares '000	2006 Shares '000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of the financial year	<b>5,307,591</b>	5,300,006	<b>67,404</b>	58,377	<b>404,048</b>	265,001
Consolidation of 10 ordinary shares into 1 new share (a)	<b>(4,776,832)</b>	-	-	-	-	-
Exercise of warrants during the financial year (b)	<b>4,233</b>	7,585	<b>2,116</b>	379	<b>2,116</b>	379
Effect of Companies (Amendment) Act 2005 (c)	-	-	-	8,648	-	138,668
At end of the financial year	<b>534,992</b>	5,307,591	<b>69,520</b>	67,404	<b>406,164</b>	404,048

- (a) The Company consolidated its existing 10 ordinary shares into 1 new share on 17 May 2007.
- (b) Exercise of warrants to subscribe for new ordinary shares at an exercise price of \$0.50 each.
- (c) Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as at 30 January 2006 became part of the Company's share capital.

All issued shares are fully paid. The newly issued shares rank pari passu in all respects with the previously issued shares.

As at 31 December 2007, 582,678 (31 December 2006: 48,158,758) warrants were outstanding. These warrants, which expire on 8 October 2008, entitle the warrant holders to convert each warrant into one new ordinary share each at an exercise price of \$0.50 each.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 26. OTHER RESERVES

(a) Capital reserve

Capital reserve comprise the equity component of the convertible bonds (Note 24) issued during the financial year.

(b) Retained earnings

As at 31 December 2007, approximately \$25,268,000 (2006: \$25,268,000) of the total retained earnings cannot be distributed as dividends as these are accumulated before the Acquisition (Note 2.3).

(c) Statutory reserves

The balance represents reserve fund required by the articles of association in PRC.

The subsidiaries in PRC are required to provide for certain statutory funds, namely reserve fund and staff and workers' bonus and welfare fund, which are appropriated from net profit after tax (based on the PRC statutory accounts) but before dividend distribution. These funds are created for specific purposes and appropriations to these funds are at the discretion of the PRC subsidiary's board of directors. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or to increase capital.

The staff and workers' bonus and welfare fund can only be used for special bonuses or collective welfare of PRC employees, and assets acquired through this fund should not be taken as the Group's assets. Appropriations to the staff and workers' bonus and welfare fund would be included as expenses and the balance of the fund as a liability of the Group (Note 22).

### 27. DIVIDENDS

	Group and Company	
	2007 \$'000	2006 \$'000
<i>Ordinary dividends paid</i>		
Final exempt (one-tier) dividend paid in respect of the financial year ended 31 December 2006 of 15 cents per ordinary share (31 December 2005 : 4.5 cents per ordinary share)	<b>80,219</b>	23,879

At the Annual General Meeting to be convened on 8 April 2008, a final exempt (one-tier) dividend of 4.15 cents per ordinary share amounting to a total of S\$22.2 million will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

### 28. CONTINGENT LIABILITIES

Guarantees given to banks by the Group in respect of bank loans granted to third parties amounted to approximately \$29,666,000 (2006: \$52,723,000). In return, guarantees are obtained from these third parties for the Group's borrowings (Note 23).

The directors are of the view that the fair value of these financial guarantee contracts at date of inception was minimal and that no material losses will arise from the guarantees given to banks at the date of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 29. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2007 \$'000	2006 \$'000
Property, plant and equipment	<b>69,305</b>	49,384

(b) Operating lease commitments – where the Group and the Company are lessees

The future aggregate minimum lease payments for land and office premises under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within one year	<b>315</b>	351	<b>232</b>	237
Later than 1 year but not later than 5 years	<b>330</b>	691	-	232
Later than 5 years	<b>3,578</b>	5,096	-	-
	<b>4,223</b>	6,138	<b>232</b>	469

Note: Included in the above are future aggregated minimum lease payments for land rent payable to Jurong Town Corporation and these are subject to revision on the first day of June every year, at the rate based on the market rent on the respective dates, not exceeding 5.5% of the yearly rent for each immediate preceding year.

(c) Operating lease commitments – where the Group is a lessor

The Group leases out investment property to non-related party under non-cancellable operating lease. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within one year	<b>264</b>	396	-	-
Later than 1 year but not later than 5 years	-	264	-	-
	<b>264</b>	660	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**30. FINANCIAL RISK MANAGEMENT***Financial risk factors*

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk(i) *Currency risk*

The Group's activities are carried out mainly in the PRC and most of the activities are carried out in Renminbi (RMB), the functional currency of the Company.

Currency risk arises when transactions are denominated in foreign currencies.

In addition, the Group is exposed to currency translation risk from net assets in Singapore. Currency exposure to the net assets of the Group's operations in Singapore is managed primarily through borrowings denominated in Singapore dollars.

The Group's currency exposure based on the information provided to key management is as follows:-

	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000
<b>Group</b>						
At 31 December 2007						
<b>Financial assets</b>						
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	63,600	127,427	48,952	4,772	4,433	249,184
Trade and other receivables	53,304	-	-	-	1,621	54,925
	116,904	127,427	48,952	4,772	6,054	304,109
<b>Financial liabilities</b>						
Borrowings	431,313	67,992	-	-	2,300	501,605
Other financial liabilities	363,600	-	-	-	3,465	367,065
	794,913	67,992	-	-	5,765	868,670
<b>Net financial (liabilities)/assets</b>	(678,009)	59,435	48,952	4,772	289	(564,561)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	678,009	-	-	-	(797)	677,212
<b>Currency exposure</b>	-	59,435	48,952	4,772	(508)	112,651

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000
At 31 December 2006						
<b>Financial assets</b>						
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	55,559	1,615	-	-	5,874	63,048
Trade and other receivables	32,738	-	-	-	65	32,803
	88,297	1,615	-	-	5,939	95,851
<b>Financial liabilities</b>						
Borrowings	157,468	19,573	-	-	2,490	179,531
Other financial liabilities	259,293	-	-	-	1,733	261,026
	416,761	19,573	-	-	4,223	440,557
<b>Net financial (liabilities)/assets</b>	(328,464)	(17,958)	-	-	1,716	(344,706)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	328,464	-	-	-	243	328,707
<b>Currency exposure</b>	-	(17,958)	-	-	1,959	(15,999)
	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000
<b>Company</b>						
At 31 December 2007						
<b>Financial assets</b>						
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	-	124,257	48,952	4,772	1,236	179,217
Trade and other receivables	-	-	-	-	172,777	172,777
	-	124,257	48,952	4,772	174,013	351,994
<b>Financial liabilities</b>						
Borrowings	258,454	-	-	-	10	258,464
Other financial liabilities	-	-	-	-	3,357	3,357
	258,454	-	-	-	3,367	261,821
<b>Net financial (liabilities)/assets</b>	(258,454)	124,257	48,952	4,772	170,646	90,173
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	258,454	-	-	-	-	258,454
<b>Currency exposure</b>	-	124,257	48,952	4,772	170,646	348,627

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Market risk (continued)(i) *Currency risk* (continued)

	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000
At 31 December 2006						
<b>Financial assets</b>						
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	-	2	-	-	2,754	2,756
Trade and other receivables	-	-	-	-	96,185	96,185
	-	2	-	-	98,939	98,941
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	12	12
Other financial liabilities	-	-	-	-	2,196	2,196
	-	-	-	-	2,208	2,208
<b>Currency exposure</b>	-	2	-	-	96,731	96,733

If the USD, SGD and AUD change against the RMB by 2% (2006: 2%) and 2% (2006:2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2007		2006	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<b>Group</b>				
USD against RMB				
- strengthened	1,189	-	(1,617)	-
- weakened	(1,189)	-	1,617	-
SGD against RMB				
- strengthened	(6)	-	(34)	-
- weakened	6	-	34	-
AUD against RMB				
- strengthened	-	238	-	-
- weakened	-	(238)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	2007		2006	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<b>Company</b>				
USD against RMB				
- strengthened	<b>2,485</b>	-	-	-
- weakened	<b>(2,485)</b>	-	-	-
SGD against RMB				
- strengthened	<b>(3,346)</b>	-	(1,897)	-
- weakened	<b>3,346</b>	-	1,897	-
AUD against RMB				
- strengthened	<b>741</b>	<b>238</b>	-	-
- weakened	<b>(741)</b>	<b>(238)</b>	-	-

(ii) *Price risk*

The Group is exposed to equity securities price risk because of the investment held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. These securities are listed in Australia and Hong Kong. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

If prices for equity securities listed in Australia and Hong Kong change by 5% with all other variables including tax rate being held constant, the profit after tax and equity will be:-

	2007		2006	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<b>Group</b>				
Listed in ASX				
- increased by	-	<b>596</b>	-	-
- decreased by	-	<b>(596)</b>	-	-
Listed in Hong Kong				
- increased by	<b>238</b>	-	-	-
- decreased by	<b>(238)</b>	-	-	-
<b>Company</b>				
Listed in ASX				
- increased by	-	<b>596</b>	-	-
- decreased by	-	<b>(596)</b>	-	-
Listed in Hong Kong				
- increased by	<b>238</b>	-	-	-
- decreased by	<b>(238)</b>	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The Group's income and operating cash flows are to a certain extent dependent on changes in market interest rates. The Group has not entered into any hedging activity during the year. Nevertheless, the Group's exposure to fair value interest rate risk and cash flow interest rate risk are controlled and monitored on a regular basis.

The Group's borrowings by means of convertible bands are denominated in RMB and effectively at a fixed interest rate. Other borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in RMB. If the RMB interest rates increase/decrease by 1% (2006: 1.5%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$2,366,000 (2006: \$2,586,000) and \$2,366,000 (2006: \$2,586,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sale of products are either under cash in advance or cash on delivery terms for new customers. Credit terms are only granted to customers with an appropriate credit history. Cash and cash equivalents of the Group are principally deposited with reputable banks in the mainland China, Hong Kong and Singapore.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and by the Group.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Corporate guarantees provided to banks on subsidiaries' loans	-	-	2,290	2,478
Corporate guarantees provided to banks on third parties' loans	29,666	52,723	-	-

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
By geographical areas				
People's Republic of China	83,352	62,308	83,779	96,115
Australia	-	-	1,160	-
Singapore	222	83	87,852	87
	<b>83,574</b>	62,391	<b>172,791</b>	96,202
By types of customers				
Non-related parties	83,574	62,391	214	87
Related parties	-	-	172,577	96,115
	<b>83,574</b>	62,391	<b>172,791</b>	96,202

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks in mainland China, Hong Kong and Singapore. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection record with the Group.

(ii) *Financial assets that are past due*

There are no financial assets that are past due.

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based contractual undiscounted cash flows.

	Less than 1 year	Later than 1 year and not later than 5 years	Over 5 years
	\$'000	\$'000	\$'000
<b>Group</b>			
At 31 December 2007			
Notes payables	42,494	-	-
Trade and other payables	321,212	-	-
Borrowings	161,008	76,727	10,238
Convertible bonds	-	354,161	-
	<b>524,714</b>	<b>430,888</b>	<b>10,238</b>
At 31 December 2006			
Notes payables	31,600	-	-
Trade and other payables	229,426	-	-
Borrowings	164,300	8,238	11,815
	<b>425,326</b>	<b>8,238</b>	<b>11,815</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**30. FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Liquidity risk (continued)

	Less than 1 year	Later than 1 year and not later than 5 years	Over 5 years
	\$'000	\$'000	\$'000
<b>Company</b>			
At 31 December 2007			
Trade and other payables	3,357	-	-
Borrowings	2	8	-
Convertible Bonds	-	354,161	-
	3,359	354,169	-
At 31 December 2006			
Trade and other payables	2,196	-	-
Borrowings	2	10	-
	2,198	10	-

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and maintaining adequate amount of committed credit facilities.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as bank borrowings less cash and cash equivalents.

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net debt	<b>305,011</b>	142,257	<b>95,910</b>	-
Total equity	<b>384,183</b>	316,847	<b>466,203</b>	-
Gearing ratio	<b>79.4%</b>	44.9%	<b>20.6%</b>	-

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2006 and 2007.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 31. ULTIMATE HOLDING CORPORATION

The Company's immediate and ultimate holding corporation is Best Decade Holdings Limited, incorporated in the British Virgin Islands.

### 32. RELATED PARTY TRANSACTIONS

Besides transactions disclosed elsewhere, the following transactions took place between the Group and related parties during the financial year:

(a) Key management personnel compensation

The key management personnel compensation is as follows:

	2007 \$'000	2006 \$'000
Salaries and other short term employee benefits	1,398	1,509
Post-employment benefits – defined contribution plans	390	443
	<b>1,788</b>	1,952

Included in the above was total compensation to directors of the Company amounting to \$909,000 (2006: \$1,327,000), including directors' fees of \$185,000 (2006: \$192,500).

- (b) On 4 September 2007, Mr. Ding Ligu, a director of the Company, assigned to the Company an option ("Cape Lambert Option") to acquire 40,000,000 shares in Cape Lambert Iron Ore Ltd ("Cape Lambert"), a company listed on the Australian Securities Exchange ("ASX"), for a consideration of A\$4.8 million, the same price that Mr. Ding Ligu initially paid to acquire the option from Cape Lambert on 9 May 2007. Shares issuable upon full exercise of the Cape Lambert Option would constitute approximately 13.1% of the issued and paid-up share capital of Cape Lambert as at 3 September 2007.

### 33. SEGMENT INFORMATION

(a) *Primary reporting format- business segment*

In 2007, the Group was primarily operating in one single business segment i.e the manufacture and sale of hot-rolled steel coils. The Group ceased its trading business with effect from 1 January 2007 (Note 8).

In 2006, the Group was organised into two main business segments:-

- Manufacture and sale of hot-rolled steel coils: and
- Trading of iron ores

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**33. SEGMENT INFORMATION (CONTINUED)***Primary reporting format-business segments  
For the financial year ended 31 December 2007***REVENUE**

	Manufacturing	Other	Total for continuing operations
	\$'000	\$'000	\$'000
External Sales	1,541,986	-	1,541,986
Inter-segment sales	-	60	60
	1,541,986	60	1,542,046
Elimination			(60)
			1,541,986

**SEGMENT RESULTS**

Segment results	159,974	(7,690)	152,284
Finance expenses			(33,255)
Profit before tax			119,029
Tax expense			(25,270)
Profit after tax			93,759

**OTHER INFORMATION**

Capital expenditure	200,456	2	200,458
Depreciation	52,163	22	52,185

**SEGMENT ASSETS**

	Manufacturing	Other	Elimination	Total
	\$'000	\$'000	\$'000	\$'000
<b>Segment and consolidated total assets</b>	1,137,967	683,572	(557,559)	1,263,980

**SEGMENT LIABILITIES**

Segment liabilities	791,616	262,849	(185,795)	868,670
Unallocated liabilities				11,127
<b>Consolidated total liabilities</b>				879,797

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 33. SEGMENT INFORMATION (CONTINUED)

*For the financial year ended 31 December 2006*

	Manufacturing	Other	Total for continuing operations	Discontinued operations-trading segment	
	\$'000	\$'000	\$'000	\$'000	
<b>Financial year ended 31 December 2006</b>					
External Sales	843,323	-	843,323	102,023	
Inter-segment sales	-	60	60	40,154	
	843,323	60	843,383	142,177	
Elimination			(60)	(40,154)	
			843,323	102,023	
Segment results	137,831	-	137,831	1,826	
Unallocated costs			(1,843)	-	
Finance costs			(6,038)	(334)	
Profit before tax			129,950	1,492	
Tax expenses			(14)	(202)	
<b>Total profit</b>			<b>129,936</b>	<b>1,290</b>	
<b>Other segment items</b>					
Capital expenditure	220,614	15	220,629	-	
Depreciation	25,130	89	25,219	-	
	Manufacturing	Trading	Other	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment and consolidated total assets</b>	742,491	20,701	17,445	(15,877)	<b>764,760</b>
<b>Segment liabilities</b>	450,220	4,005	2,209	(15,877)	<b>440,557</b>
Unallocated liabilities					7,356
<b>Consolidated total liabilities</b>					<b>447,913</b>

Note: Other operation of the Group represents investment holding. It does not constitute a separate reportable segment.

(b) *Secondary reporting format- geographical segment*

The Group's operations are mainly carried out in the PRC. No other individual country contributed more than 10% of consolidated sales and assets.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

**34. LIST OF COMPANIES IN THE GROUP**

Name of Company	Principal activities	Country of incorporation	Equity holding	
			2007	2006
<b><u>Held by the Company</u></b>				
Asia Paragon International Limited (Note (i))	Investment holding	British Virgin Islands	100%	100%
Dexin Steel Pte Ltd (Note(ii))	Investment property holding	Singapore	100%	100%
DL Resources (Australia) Pty Ltd (Note (iii))	Investment holding	Australia	100%	-
<b><u>Held by Asia Paragon</u></b>				
Delong Steel Limited (Note (iv))	Production and sales of hot-rolled steel coils	PRC	100%	100%
Tianjin Detong Leasing Co., Ltd (Note (v))	Financial leasing activities	PRC	100%	-
<b><u>Held by Delong Steel</u></b>				
Xingtai Xinlong Coal-Gas Limited (Note (v))	Coal gas recycling	PRC	100%	-
Xingtai Delong Machinery and Mill Roll Co., Ltd (Note (v))	Design, development, manufacturing and sale of large diameter steel mill rollers and large cast steel articles	PRC	100%	-

**Notes**

- (i) Not required to be audited under the laws of the country of incorporation and not a significant subsidiary.
- (ii) Audited by PricewaterhouseCoopers Singapore.
- (iii) Not required to be audited under the laws of the country of incorporation as it is a newly set up company.
- (iv) Audited by Xing Tai Jin Zheng Certified Public Accountants Co., Ltd for local statutory reporting. For the audit of the consolidated financial statements of Delong Holdings Limited, PricewaterhouseCoopers Zhong Tian CPAs Limited Company (Guangzhou Branch) was engaged to perform an audit of Delong Steel Limited for consolidation purposes.
- (v) For the audit of the consolidated financial statements of Delong Holdings Limited, PricewaterhouseCoopers Zhong Tian CPAs Limited Company (Guangzhou Branch) was engaged to perform an audit for consolidation purposes.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### 35. EVENT OCCURRING AFTER THE BALANCE SHEET DATE

On 18 February 2008, Best Decade Holdings Limited (“Best Decade”), Evraz Group S.A. (“Evraz”), Mr Ding Liguu and Ms. Zhao Jing (shareholders of Best Decade) entered into an agreement, under which Best Decade agreed to sell, and Evraz agreed to acquire, up to 273,143,239 ordinary shares (“Sale Shares”) in the capital of the Company, representing approximately 51.06% of the issued share capital of the Company as at that date. The completion of the sale and purchase of all the Sale Shares is subject to and conditional upon the satisfaction of various conditions, including the receipt of certain requisite regulatory approvals. The transaction, if completed, would constitute a change of control of the Company and the holders of the convertible bonds will have the right to require the Company to redeem all of its bonds (Note 24).

Evraz has on 25 February 2008 completed the purchase of 53,557,498 Sale Shares, representing approximately 10.01% of the issued share capital of the Company, from Best Decade.

### 36. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods which the Group has not early adopted. The Group does not expect that adoption of these accounting standards or interpretations will have a material impact on the Group’s financial statements.

### 37. COMPARATIVES

Where necessary, comparative figures have been reclassified to conform with the changes in the presentation adopted in the current financial year.

### 38. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Delong Holdings Limited on 20 March 2008.

**STATISTICS OF SHAREHOLDINGS**

AS AT 4 MARCH 2008

Issued and Fully paid-up Share capital	:	S\$406,164,341.46
No. of Shares Issued	:	534,992,301
Voting Rights	:	1 Vote per share
Class of Shares	:	Ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	770	27.03	299,902	0.06
1,000 – 10,000	1,763	61.88	6,274,298	1.17
10,001 – 1,000,000	305	10.70	18,897,843	3.53
1,000,001 and above	11	0.39	509,520,258	95.24
<b>TOTAL</b>	<b>2,849</b>	<b>100.00</b>	<b>534,992,301</b>	<b>100.00</b>

**TOP TWENTY SHAREHOLDERS**

Name	No. of Shares	%
Best Decade Holdings Limited	344,980,963	64.48
Merrill Lynch (Singapore) Pte Ltd	54,191,748	10.13
HSBC (Singapore) Nominees Pte Ltd	35,602,718	6.65
Raffles Nominees Pte Ltd	18,821,737	3.52
DBS Nominees Pte Ltd	15,149,611	2.83
Inaya Limited	13,159,000	2.46
Citibank Nominees Singapore Pte Ltd	9,505,929	1.78
UOB Kay Hian Pte Ltd	6,595,850	1.23
Key Consultant Investments Ltd	5,232,000	0.98
Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,644,439	0.87
DB Nominees (S) Pte Ltd	1,636,263	0.31
Lim Choon Kong	950,000	0.18
Mayban Nominees (S) Pte Ltd	895,000	0.17
Teo Chee Kok	815,000	0.15
Yong Foong Yee	630,000	0.12
CIMB-GK Securities Pte. Ltd.	585,707	0.11
Goh Hong Soon @ Goh Ah Lam	550,000	0.10
DBS Vickers Securities (S) Pte Ltd	517,175	0.10
Poh Kiat	491,000	0.09
United Overseas Bank Nominees Pte Ltd	485,880	0.09
<b>TOTAL</b>	<b>515,440,020</b>	<b>96.35</b>

## STATISTICS OF SHAREHOLDINGS

AS AT 4 MARCH 2008

### Substantial Shareholders

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Best Decade Holdings Limited	344,980,963	64.48	—	—
Ding Ligu	—	—	344,980,963	64.48
Zhao Jing	—	—	344,980,963	64.48
Merrill Lynch (Singapore) Pte Ltd	54,191,748	10.13	—	—
HSBC (Singapore) Nominees Pte Ltd	35,602,718	6.65	—	—

#### Note:-

Mr Ding Ligu and Madam Zhao Jing hold 70% and 30% respectively of the shareholdings in Best Decade Holdings Limited. They are therefore deemed interested in the shares of the Company held by Best Decade Holdings Limited.

### Public Shareholding

Based on the register of shareholdings and to the best knowledge of the Company, as at 4 March 2008, 35.52% of the Company's shares were held in the hands of public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

**STATISTICS OF WARRANTHOLDINGS**

AS AT 4 MARCH 2008

Size of Warrantholdings	No. of Warranholders	%	No. of Warrants	%
1 - 999	930	89.68	200,341	34.38
1,000 - 10,000	101	9.74	250,187	42.94
10,001 - 1,000,000	6	0.58	132,150	22.68
1,000,001 and above	—	—	—	—
<b>TOTAL</b>	<b>1,037</b>	<b>100.00</b>	<b>582,678</b>	<b>100.00</b>

**TOP TWENTY WARRANTHOLDERS**

Name	No. of Warrants	%
Siah Gek Ai Monica	40,000	6.86
United Overseas Bank Nominees Pte Ltd	20,100	3.45
Citibank Nominees Singapore Pte Ltd	20,000	3.43
Anokh Singh S/O Jagir Singh	18,100	3.11
DBS Nominees Pte Ltd	17,625	3.02
PCL Printers Pte Ltd	16,325	2.80
Herman Halim	10,000	1.72
Ng Chai Yu	10,000	1.72
Wong Ka Fai Martin	10,000	1.72
UOB Kay Hian Pte Ltd	9,250	1.59
Neo Ka Chiam	7,650	1.31
Sardul Singh S/O Seva Singh	7,250	1.24
OCBC Nominees Singapore Pte Ltd	6,875	1.18
Lim Cher Khiang	6,775	1.16
Tan Khay Sin	6,000	1.03
Yap Su-Lin Fiona	5,400	0.93
Ang Poo Hua	5,000	0.86
Lang Zhaomin	5,000	0.86
Tan Sey Swee	5,000	0.86
Lee Kian Yee	4,400	0.75
<b>TOTAL</b>	<b>230,750</b>	<b>39.60</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Delong Holdings Limited will be held at 2 Shenton Way, SGX Centre 1, Level 2 Podium, Singapore 068804 on Tuesday, 8 April 2008, at 11.00 a.m. for the following purposes:-

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final one-tier tax-exempt dividend of 4.15 cents per ordinary share for the financial year ended 31 December 2007. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Articles 88 and 89 of the Company's Articles of Association:-
  - Mr Lai Hock Meng (Retiring under Article 88) **(Resolution 3)**
  - Mr Guo Sanxiang (Retiring under Article 89) **(Resolution 4)**
  - Mr Bai Baohua (Retiring under Article 89) **(Resolution 5)**

*Mr Lai Hock Meng and Mr Bai Baohua will, upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*
4. To approve the payment of Directors' fees of S\$185,000.00 for the financial year ended 31 December 2007. (2006: S\$192,500.00) **(Resolution 6)**
5. To re-appoint Messrs PricewaterhouseCoopers as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
6. To transact any other business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

7. To consider and, if thought fit, to pass the following resolution, with or without amendments, as an Ordinary Resolution:-

That pursuant to Section 161 of the Companies Act, Chapter 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or exercise of any share option or vesting of any share award outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting ("AGM") or on the date by which the next AGM is required by law to be held, whichever is earlier. [see Explanatory Note]

**(Resolution 8)**

BY ORDER OF THE BOARD

**Yeo Lee Luang**

Company Secretary

Singapore, 22 March 2008

**EXPLANATORY NOTE:-**

The Ordinary Resolution proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the issued share capital of the Company for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed twenty per cent (20%) of the issued capital of the Company. The percentage of issued capital is based on the Company's issued capital at the time the proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion of convertible securities or employee share options on issue at the time the proposed Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier.

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Raffles Place, #56-02 UOB Plaza 1, Singapore 048624 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

### NOTICE OF BOOKS CLOSURE

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of Delong Holdings Limited (the "Company") will be closed on 15 April 2008 for the preparation of dividend entitlements.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Pte Ltd at 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 14 April 2008 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 14 April 2008 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 8 April 2008, will be made on 23 April 2008.

Holders of the warrants are reminded that only warrants exercised (in accordance with the terms and conditions of the warrants) by 5.00 pm on 14 April 2008 will be considered for the purpose of determining members' entitlements to the proposed Dividend.

BY ORDER OF THE BOARD

**Yeo Lee Luang**  
Company Secretary

22 March 2008

# ANNUAL GENERAL MEETING

## PROXY FORM

### DELONG HOLDINGS LIMITED

(Company Registration No. 199705215G)  
(Incorporated in the Republic of Singapore)

#### IMPORTANT

1. For investors who have used their CPF monies to buy shares of Delong Holdings Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominee

\*I/We \_\_\_\_\_ (Name) \*NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

being a \*member/members of DELONG HOLDINGS LIMITED ("the Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as \*my/our \*proxy/proxies to attend and to vote for \*me/us on \*my/our behalf, at the Annual General Meeting of the Company to be held at 2 Shenton Way, SGX Centre 1, Level 2 Podium, Singapore 068804 on Tuesday, 8 April 2008, at 11.00 a.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion.

No.	Resolutions relating to	For**	Against**
1	Directors' Reports and Audited Financial Statements for the year ended 31 December 2007		
2	Payment of proposed first and final one-tier tax-exempt dividend		
3	Re-election of Mr Lai Hock Meng as a Director		
4	Re-election of Mr Guo Sanxiang as a Director		
5	Re-election of Mr Bai Baohua as a Director		
6	Approval of Directors' fees amounting to S\$185,000.00		
7	Re-appointment of Messrs PricewaterhouseCoopers as Independent Auditor		
8	Authority to allot and issue new shares		

\* Delete accordingly

\*\* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

Shares held in:	Total No. of Shares:
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



# ANNUAL GENERAL MEETING

## PROXY FORM

### DELONG HOLDINGS LIMITED

(Company Registration No. 199705215G)  
(Incorporated in the Republic of Singapore)

### NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 80 Raffles Place, #56-02 UOB Plaza 1, Singapore 048624 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.

### GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



**DELONG HOLDINGS LIMITED**

company registration no.: 199705215G  
[www.dlholdings.com](http://www.dlholdings.com)

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**德龙控股有限公司**

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