


德龙控股
DELONG HOLDINGS

Annual Report 2008



Contents

Company Vision	01
Company Profile	02
Corporate Structure	04
Chairman's Statement & Operations Review	05
Financial Highlights	08
Board of Directors	10
Executive Officers	11
Corporate Information	12
Investor Policy	13
Corporate Governance	14

The image shows several large, cylindrical rolls of steel coils stacked in a factory. The coils are made of a dark, metallic material, likely steel, and are arranged in a way that creates a sense of depth and scale. The lighting is bright, highlighting the metallic surfaces and the repetitive patterns of the coils. The background is slightly blurred, focusing attention on the foreground rolls.

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.

Our Vision

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 5,748 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 RMB3.4 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 520 to 1,150 mm in width and 1.5 to 18.0 mm in thickness. The products, which can be customised to clients’ specifications, are mainly used for the infrastructure, pipe-making, machinery and automotive industries. For the year ended 31 December 2008, the total HRC production from the plant’s two production lines stood at 3.0 million tonnes a year.

The majority of Delong Steel’s client are located in the PRC, within a 500-kilometer 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”)

Operating out of Singapore, Dexin Steel is an investment property holding company.

Dezhong International Financing Leasing Co., Ltd (Formerly known as Tianjin Detong Leasing Co., Limited) (“Dezhong Leasing”)

Operationally located in the PRC, Dezhong Leasing is in the business of purchasing equipment and leasing such equipment to the Group’s subsidiaries for use in their 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.

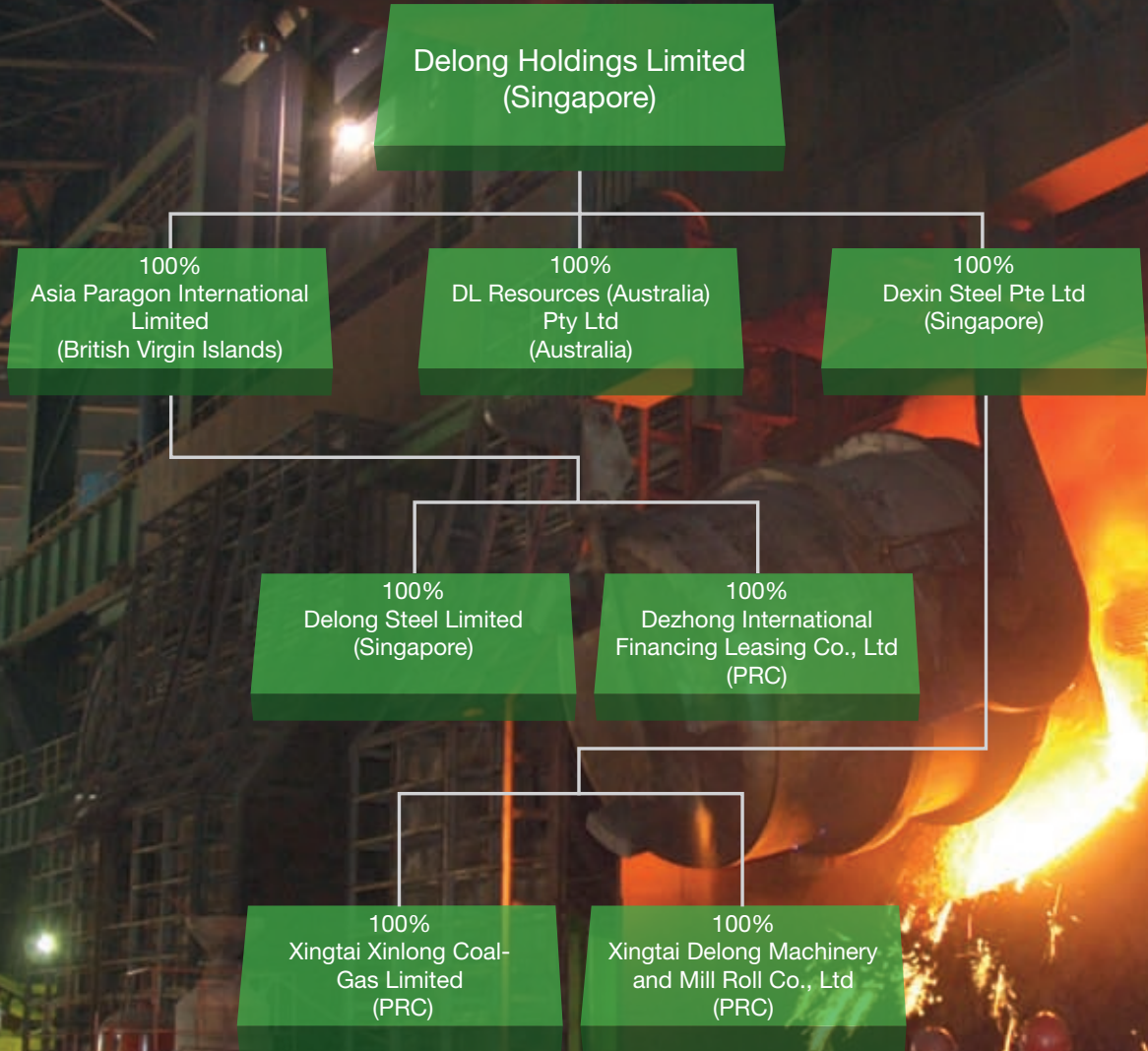
Xingtai Delong Machinery and Mill Roll Co., Ltd (“Xingtai Delong Mill Roll”)

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 investment of resource-related projects.

Corporate Structure



Chairman's Statement & Operations Review

“ FY2008 has been a particularly challenging year for both the global steel industry and Delong. Macroeconomic conditions brought about by the recent economic downturn, coupled with rising costs of raw materials, negatively impacted demand and prices for steel and steel-related products globally. ”

Dear Shareholders

On behalf of the Board, I would like to present you the annual report for Delong Holdings Limited (“Delong” or the “Company”, together with subsidiaries the “Group”) for the financial year ended 31 December 2008 (“FY2008”).

FY2008 has been a particularly challenging year for both the global steel industry and Delong. Macroeconomic conditions brought about by the recent economic downturn, coupled with rising costs of raw materials, negatively impacted demand and prices for steel and steel-related products globally.

It is against this backdrop that I share with you the performance review of Delong over the last twelve months and the outlook and strategy for the Group as we move forward into FY2009.

Financial Performance Review

In FY2008, the Group recorded gross profit and net loss after tax of S\$26.7 million and S\$75.8 million respectively, on the back of a 47.4% increase in revenue to S\$2.3 billion from S\$1.5 billion a year ago. The significant decline in gross and net profit



Ding Liguo
(Executive Chairman)



was largely attributable to the significant increase in the prices of raw materials in FY2008. In addition, Delong had recorded a write-down in inventories and S\$20.9 million incurred as impairment charges of property, plant and equipment in 4Q2008.

While near-term conditions have led to reduced orders from these customers, the Group remains focused on developing long-term relationships with our existing customers and will leverage on any opportunities to augment our business position once market conditions improve.

In addition, fluctuating raw material costs continue to be a concern for global steel manufacturers. Cost of sales for our key HRC products – 850mm and 1,250mm – increased by 65.6% to S\$2.2 billion in FY2008 from S\$1.4 billion a year ago. In mitigating against future price fluctuations and to ensure a steady iron ore supply, Delong is actively exploring arrangements to optimise its mix of long-term contracts and spot purchase of raw materials through active negotiations with current and potential suppliers.

Net asset value per share as at 31 December 2008 declined to 52.8 Singapore cents from 71.8 Singapore cents as at 31 December 2007. Loss per share on a fully diluted basis was 14.2

Singapore cents in FY2008 from earnings per share of 17.5 Singapore cents a year ago.

Convertible Bond

In June 2007, the Group issued RMB1,532 million (US\$200 million) worth of zero-coupon convertible bonds, for the purpose of funding strategic investments and business expansion. As of the date of this report, the Group had fully utilised the proceeds to fund various expansion plans and working capital purposes.

Events Subsequent To The Year End

On 11 February 2009, Evraz Group S.A. (“Evraz”) announced that it has entered into a second supplemental agreement (the “Second Supplemental Agreement”) with Delong’s controlling shareholder, Best Decade Holdings Limited (“Best Decade”), and the Covenantors (being Mr Ding Ligu and Mdm Zhao Jing) to amend the terms of the share purchase agreement dated 18 February 2008 entered into by the same parties (as amended by a supplemental agreement dated 15 August 2008) (the “SPA”), pursuant to which Evraz, Best Decade and the Covenantors agreed, *inter alia*, to further extend the period for which Evraz is entitled to exercise its Call Option (as defined in the SPA) and the period for which



Best Decade is entitled to exercise its Put Option (as defined in the SPA) subject to satisfaction of certain conditions, including the necessary anti-trust approvals from the PRC regulatory authorities, to 18 August 2009.

Further information on the Second Supplemental Agreement can be found in the Company's announcement dated 11 February 2009.

The application for voluntary deregistration of DL Resources Pty Ltd has been approved by Australian Securities & Investments Commission ("ASIC") on 16 January 2009. ASIC may deregister the Company two months after the publication of the notice in the Australian Government Gazette.

Outlook

Following the onset of the global financial crisis, the PRC Central Government has promulgated a broad array of economic stimulus plans, such as the fiscal injection of over RMB4.0 trillion, the construction of various infrastructure projects, and the easing of rules and regulations governing home ownership so as to boost domestic consumption. While the Board remains cautious of the near-term outlook of the global and PRC steel industry, we remain confident in the industry's long-term sustainability.

Moving forward, Delong will seek to gradually increase capacity utilisation rates as the demand situation for steel products improves.

While credit markets remain tight, the Group has sufficient existing secured and unsecured credit facilities with various domestic and foreign financial institutions which can be called upon if such need arises.

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 such a challenging and eventful year. I hope to look forward to continued support from each of you as we move forward into yet another year of challenges but also immense opportunities.

Ding Liguo
Executive Chairman

Financial Highlights

Group's Five-Year Financial Highlights

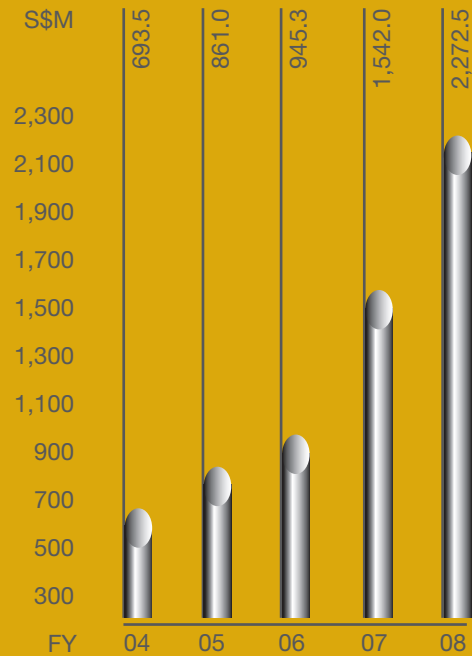
\$million	FY2008	FY2007	FY2006	FY2005	FY2004
Revenue	2,272.5	1,542.0	945.3	861.0	693.5
Cost of Sales	(2,245.7)	(1,356.0)	(788.0)	(707.6)	(614.7)
Gross Profit	26.7	186.0	157.3	153.4	78.8
Net (Loss)/Profit After Tax	(75.8)	93.8	131.2	121.5	38.7
EBITDA	61.6	203.8	162.6	144.8	86.5
Total Assets	1,278.4	1,264.0	764.8	515.3	418.3
Total Equity	282.9	384.2	316.8	219.1	57.5
Total Cash and Cash Equivalents	142.0	196.6	37.3	15.3	41.0

Financial Ratios	FY2008	FY2007	FY2006	FY2005	FY2004
Gross Profit Margin	1.2%	12.1%	16.6%	17.8%	11.4%
Net Profit Margin	-	6.1%	13.9%	14.1%	5.6%
Basic (Losses)/Earnings Per Share (S cents) ¹	(14.2)	17.6	2.47	2.31	7.9
Net Tangible Assets Per Share (S cents) ²	52.8	71.8	59.7	41.3	11.7
Gearing (times)	2.06	1.31	0.57	0.50	2.76
Return on Assets ³	-	7.4%	17.2%	23.6%	9.2%
Return on Equity ⁴	-	24.4%	41.4%	55.5%	67.3%

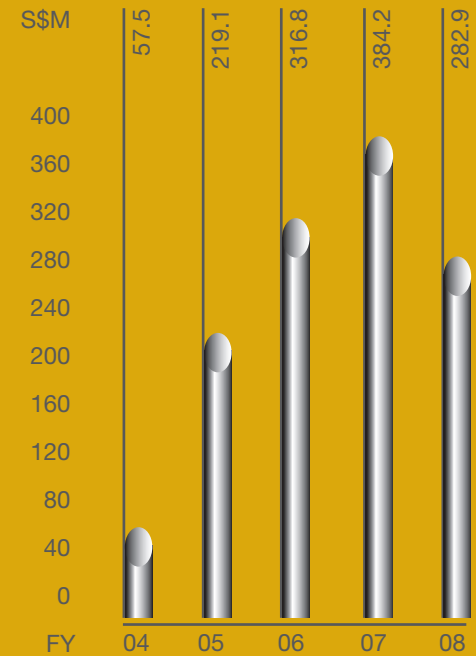
Notes

- ¹ Earnings/(losses) Per Share is defined as net profit/(loss) 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.

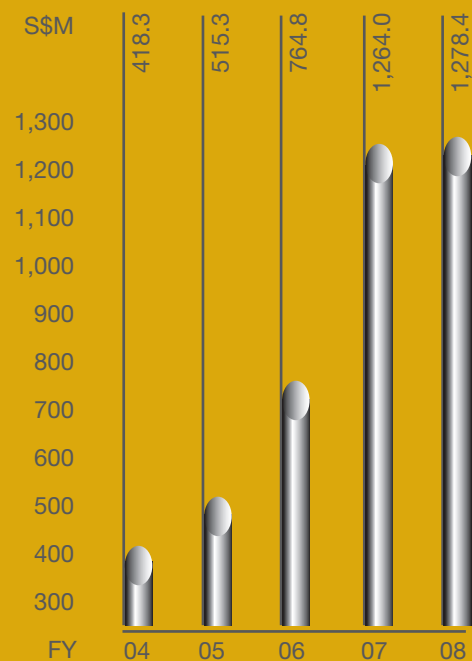
REVENUE



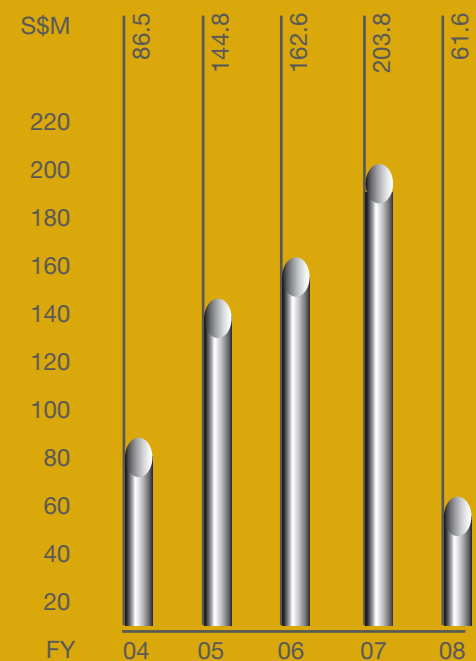
TOTAL EQUITY



TOTAL ASSETS



EBITDA



Board of Directors

Mr Ding Liguo

Mr Ding is the **Executive Chairman** of the Company and is in charge of the overall management and direction of the Group. From 1998 to 2003, Mr Ding was the Chairman of Tangshan Liguo 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 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. 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 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 23 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.

Mr Yuan Weimin

Mr Yuan was appointed as a **Non-Executive Director** on 16 April 2008. He is currently a general manager of Shanghai Xiefeng Materials Supply Co., Ltd. Between 1992 and 1994, he was a sales manager with Mannesmann Demag Shanghai Representative Office. Between 1988 and 1991, he was an assistant chief engineer with Shanghai Metallurgical Industry Authority Bureau. Mr Yuan holds a Bachelor of Engineering from the Tsinghua University in the PRC.

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. Between 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 the Chief Financial Officer in the finance and accounting functions, as well as ensure that 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 majoring 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 is responsible for overseeing the production processes of the Group. Prior to joining Delong Steel in 2005, Mr Meng was with Xingtai Delong Iron & Steel Co., Ltd between 2003 to 2005, where he was the manager of the rolling mill. From 1999 to 2002, he was the deputy bureau chief with the Luquan City Planning Bureau. From 1982 to 1998, he was with the Luquan Steel Co., Ltd, where he started as a superintendent in the technical department. He was promoted to the position of deputy manager in charge of production and subsequently 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 Ligu	Executive Chairman
Guo Sanxiang	Executive Director
Yuan Weimin	Non-Executive Director (Appointed on 16 April 2008)
Bai Baohua	Independent Director
Hee Theng Fong	Independent Director
Lai Hock Meng	Independent Director

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 Baohua	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

3 Raffles Place
#07-01 Bharat Building
Singapore 048617
Tel: (65) 6329 6426
Fax: (65) 6535 7505
Website: www.dlholdings.com

COMPANY REGISTRATION NUMBER

199705215G

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP

8 Cross Street #17-00
PWC Building
Singapore 048424
Tel: (65) 6236 3388

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
BNP Paribas Private Bank

INVESTOR RELATIONS

WeR1 Consultants Pte Ltd

29 Scotts Road
Singapore 228224
Tel: (65) 6737 4844

Investor Policy

Our Group has regarded Investor Relations as an integral part of our management responsibilities.

CORPORATE TRANSPARENCY

Investor relations is 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 six 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, news releases are issued to the media and also placed on our corporate website.

(ii) Analysts & Media Briefings

During the year, we regularly meet up with individual analysts, fund managers and shareholders. These sessions helped to further clarify the business direction and growth strategies of our Group.

(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 members of the Company.

(iv) Company's Corporate Website at 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 news 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 maximise their understanding on our Group's operations and strategies going forward.

CORPORATE GOVERNANCE REPORT

Delong Holdings Limited (the “Company”) is committed to ensuring and maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference made to each of the principles of the Code of Corporate Governance introduced in April 2001 and amended in 2005 (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, one non-executive director 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 “Board of Directors” 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 risk 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.

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:

CORPORATE GOVERNANCE REPORT

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 Liguao	5	5	4	4	-	-	-	-
Guo Sanxiang	5	5	4	4	-	-	-	-
Bai Baohua	5	5	4	4	1	1	1	1
Hee Theng Fong	5	5	4	4	1	1	1	1
Lai Hock Meng	5	5	4	4	1	1	1	1
Yuan Weimin*	5	5	4	4	-	-	-	-

*appointed on 16 April 2008

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 six directors of which three are independent directors. They are Mr Bai Baohua, Mr Hee Theng Fong and Mr Lai Hock Meng. 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 possess 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 six directors is appropriate taking into account the scope and nature of the operations of the Company.

CORPORATE GOVERNANCE REPORT

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 Liguo, 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 Group'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 in 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 then nominates the most suitable candidate who is then appointed to the Board.

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

CORPORATE GOVERNANCE REPORT

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 Bai Baohua, 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 of each director, together with their directorship in listed companies are set out below:

Name of director	Appointment	Date of initial appointment	Directorships in listed companies
Ding Liguo	Executive / Non-Independent	8 March 2005	Delong Holdings Limited
Guo Sanxiang	Executive / Non-Independent	8 March 2005	Delong Holdings Limited
Bai Baohua	Non-Executive / Independent	8 March 2005	Delong Holdings Limited
Hee Theng Fong	Non-Executive / Independent	1 June 2006	Delong Holdings Limited Datapulse Technology Limited Tye Soon Limited Sinomen Technology Limited YHI International Limited First Resources Limited
Lai Hock Meng	Non-Executive / Independent	15 June 2007	Delong Holdings Limited Xpress Holdings Ltd Hongwei Technologies Limited PureCircle Ltd China Energy Limited Advance SCT Limited
Yuan Weimin	Non-Executive / Non-Independent	16 April 2008	Delong Holdings Limited

According to Articles 88 and 89 of the Company's Article of Association, Mr Ding Liguo, Mr Hee Theng Fong and Mr Yuan Weimin will retire at the Company's forthcoming AGM and be eligible for re-election.

CORPORATE GOVERNANCE REPORT

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

Principal 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 packages 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. There have been no service contracts entered into with the Executive Directors since then.

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 share option scheme in place.

CORPORATE GOVERNANCE REPORT

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 2008 is as follows:

	Directors' fees	Salary	Bonus	Total
\$500,000 to below \$1,000,000				
Ding Liguó	-	100%	-	100%
\$250,000 to below \$ 500,000				
Guó Sanxiang	-	100%	-	100%
Below \$250,000				
Bai Baohua	100%	-	-	100%
Hee Theng Fong	100%	-	-	100%
Lai Hock Meng	100%	-	-	100%
Yuan Weimin*	100%	-	-	100%

*appointed on 16 April 2008

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 year under review.

(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

CORPORATE GOVERNANCE REPORT

or analysis 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 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.
- Conduct any other reviews as required by the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST).

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.

CORPORATE GOVERNANCE REPORT

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 blower.

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 shareholders' 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 no 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 controls 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 and 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, has 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.

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 the 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.

CORPORATE GOVERNANCE REPORT

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

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

The Company does not practice selective disclosure. All price-sensitive information is disseminated via SGXNET and such information is simultaneously posted on our corporate website at www.dlholdings.com and investor portal, 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-ST 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.

CORPORATE GOVERNANCE REPORT

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 auditors, PricewaterhouseCoopers LLP, 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 & COMPLIANCE WITH BEST PRACTICES GUIDE

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 on 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 2008, the Company has complied with the listing rules of the SGX-ST in respect of dealing in securities.

(F) MATERIAL CONTRACTS

Detailed information on supplemental agreement dated 11 February 2009 entered into between Best Decade Holdings Limited ("Best Decade"), the major controlling shareholder, and Mr Ding Liguo and Ms Zhao Jing (the "Covenantors"), and Evraz S.A. Group, are contained on page 81 of the Annual Report.

(G) INTERESTED PERSON TRANSACTIONS

The Company has 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. There were no interested person transactions for the financial year ended 31 December 2008.

(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.

CORPORATE GOVERNANCE REPORT

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 29 of the Notes to the Financial Statements, on page 68 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 2008, the Company has generally adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005.



Financial Contents

Director's Report	27
Statement by Directors	29
Independent Auditor's Report	30
Consolidated Income Statement	32
Consolidated Balance Sheet	33
Balance Sheet	34
Consolidated Statement of Changes in Equity	35
Consolidated Cash Flow Statement	36
Notes to the Financial Statements	37
Statistics of Shareholdings	83
Notice of Annual General Meeting	85
Proxy Form	

DIRECTORS' REPORT

For the financial year ended 31 December 2008

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2008 and the balance sheet of the Company at 31 December 2008.

Directors

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

Ding Liguo
Guo Sanxiang
Bai Baohua
Hee Theng Fong
Lai Hock Meng
Yuan Weimin (appointed 16 April 2008)

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 shares in, 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	
	31.12.2008	1.1.2008	31.12.2008	1.1.2008
The Company (No. of ordinary shares)				
Ding Liguo	-	-	358,742,502	412,375,000
Ultimate Holding Corporation - Honest Joy International Ltd (No. of ordinary shares of (US\$1 each))				
Ding Liguo	-	-	1,000	-
Immediate Holding Corporation - Best Decade Holding Limited (No. of ordinary shares of (US\$1 each))				
Ding Liguo	-	700	1,000	300

- (b) Mr Ding Liguo, who by virtue of his deemed interest of not less than 20% of the issued capital of the Company and Honest Joy International Ltd, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and Honest Joy International Ltd's wholly-owned subsidiaries respectively.
- (c) The directors' interests in the shares of the Company at 21 January 2009 were the same at 31 December 2008.

DIRECTORS' REPORT

For the financial year ended 31 December 2008

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 LLP, has expressed its willingness to accept reappointment.

On behalf of the directors

DING LIGUO
Director

GUO SANXIANG
Director

27 March 2009

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2008

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 32 to 82 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 2008 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

GUO SANXIANG
Director

27 March 2009

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 32 to 82, which comprise the balance sheets of the Company and of the Group as at 31 December 2008, 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Delong Holdings Limited

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 2008, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2 to the financial statements which indicates that the Group incurred a net loss for the financial year ended 31 December 2008 and is in a net current liabilities position as at the balance sheet date. The financial statements have been prepared on a going concern basis on the assumption of the continued support from the Group's bankers and the Group's ability to generate sufficient cash from its operating activities. If these are not forthcoming, the Group may be unable to continue in operational existence for the foreseeable future and adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the Group may have to provide for further liabilities which may arise, and to classify the non-current assets as current assets. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. In forming our opinion, we have considered the adequacy of the disclosure of the above matter in the financial statements.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 27 March 2009

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2008

	Note	Group	
		2008 \$'000	2007 \$'000
Sales of goods		2,272,451	1,541,986
Cost of sales		(2,245,724)	(1,355,957)
Gross profit		26,727	186,029
Other losses – net	3	(12,493)	(3,395)
Expenses			
- Distribution and marketing		(5,794)	(4,288)
- Administrative		(34,512)	(26,062)
- Finance	6	(60,327)	(33,255)
(Loss)/Profit before income tax		(86,399)	119,029
Income tax credit/(expense)	7	10,635	(25,270)
Net (loss)/profit		(75,764)	93,759
Attributable to:			
Equity holders of the Company		(75,764)	93,759
(Losses)/Earnings per share (expressed in cents per share)			
- Basic	8	(14.2)	17.6
- Diluted		(14.2)	17.5

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

		Group	
	Note	2008 \$'000	2007 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	142,041	196,594
Bank balances pledged	10	134,143	33,922
Financial assets, at fair value through profit and loss	11	1,012	4,750
Trade and other receivables	12	31,703	26,980
Inventories	13	141,192	241,214
Other current assets	14	47,671	44,881
Tax recoverable	7	1,863	-
		499,625	548,341
Non-current assets			
Trade and other receivables	15	17,209	11,713
Financial assets, available-for-sale	17	6,753	13,918
Investment property	19	3,192	3,261
Property, plant and equipment	20	739,720	686,747
Deferred income tax assets	7	11,882	-
		778,756	715,639
Total assets		1,278,381	1,263,980
LIABILITIES			
Current liabilities			
Trade and other payables	21	293,302	324,571
Notes payables		118,664	42,494
Borrowings	22	216,390	161,008
Current income tax liabilities	7	655	11,127
		629,011	539,200
Non-current liabilities			
Borrowings	22	74,826	82,143
Convertible bonds	23	291,644	258,454
		366,470	340,597
Total liabilities		995,481	879,797
NET ASSETS		282,900	384,183
EQUITY			
Share capital	24	70,074	69,520
Capital reserve	25	49,608	49,660
Fair value reserve	17	(4,848)	-
Statutory reserves	25	28,544	28,544
Currency translation reserve	25	(4,513)	(5,545)
Retained earnings	25	144,035	242,004
		282,900	384,183

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

BALANCE SHEET

As at 31 December 2008

	Note	Company	
		2008 \$'000	2007 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	77,327	162,544
Financial assets, at fair value through profit and loss	11	1,012	4,750
Trade and other receivables	12	11	41,338
Other current assets	14	17	76
		78,367	208,708
Non-current assets			
Other receivables	15	228,054	131,377
Financial assets, available for sale	17	4,653	11,923
Investments in subsidiaries	18	395,832	376,044
Property, plant and equipment	20	9	66
		628,548	519,410
Total assets		706,915	728,118
LIABILITIES			
Current liabilities			
Trade and other payables	21	1,606	3,357
Borrowings	22	2	2
Current income tax liabilities	7	207	94
		1,815	3,453
Non-current liabilities			
Borrowings	22	6	8
Convertible bonds	23	291,644	258,454
		291,650	258,462
Total liabilities		293,465	261,915
NET ASSETS		413,450	466,203
EQUITY			
Share capital	24	406,718	406,164
Capital reserve	25	49,608	49,660
Fair value reserve	17	(4,848)	-
Currency translation reserve	25	8,432	3,186
Retained earnings		(46,460)	7,193
		413,450	466,203

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2008

	Share capital	Capital reserve	Fair value reserve	Currency translation reserve	Statutory reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group							
Balance as at 1 January 2008	69,520	49,660	-	(5,545)	28,544	242,004	384,183
Net loss for the year	-	-	-	-	-	(75,764)	(75,764)
Currency translation differences recognised directly in equity	-	-	-	1,032	-	-	1,032
Total recognised gains and losses for financial year	-	-	-	1,032	-	(75,764)	(74,732)
Issue of shares upon exercise of warrants (Note 24)	207	-	-	-	-	-	207
Issue of shares pursuant to convertible bonds (Note 25)	347	(52)	-	-	-	-	295
Fair value losses-Financial assets, available for sale (Note 17)	-	-	(4,848)	-	-	-	(4,848)
Dividend paid (Note 26)	-	-	-	-	-	(22,205)	(22,205)
Balance as at 31 December 2008	70,074	49,608	(4,848)	(4,513)	28,544	144,035	282,900

	Share capital	Capital reserve	Currency translation reserve	Statutory reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Balance as at 1 January 2007	67,404	-	(7,565)	28,544	228,464	316,847
Net profit for the year	-	-	-	-	93,759	93,759
Currency translation differences recognised directly in equity	-	-	2,020	-	-	2,020
Total recognised gains and losses for financial year	-	-	2,020	-	93,759	95,779
Issue of shares pursuant to exercise of warrants (Note 24)	2,116	-	-	-	-	2,116
Equity component of convertible bonds issued (Note 25)	-	49,660	-	-	-	49,660
Dividend paid (Note 26)	-	-	-	-	(80,219)	(80,219)
Balance as at 31 December 2007	69,520	49,660	(5,545)	28,544	242,004	384,183

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2008

	Note	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Net (loss)/profit		(75,764)	93,759
Adjustments for:			
Income tax	7	(10,635)	25,270
Depreciation		67,949	52,254
Impairment charge for property, plant and equipment		20,938	-
Gain on disposal of a subsidiary		-	(53)
Loss/(Gain) on disposals of property, plant and equipment		3,732	(33)
Loss/(Gain) on disposal of financial assets, fair value through profit or loss		110	(485)
Fair value loss on financial assets, fair value through profit or loss		1,674	572
Interest income		(9,494)	(8,976)
Interest expenses		59,156	32,484
Operating cash flow before working capital change		57,666	194,792
Changes in operating assets and liabilities			
Bank balances pledged		(100,221)	(10,123)
Receivables		(13,009)	(20,638)
Inventories		100,022	(139,657)
Payables		64,831	117,057
Currency translation differences		(11,002)	12,857
Cash generated from operations		98,287	154,288
Income tax paid		(13,857)	(21,498)
Net cash provided by operating activities		84,430	132,790
Cash flows from investing activities			
Payments for property, plant and equipment		(129,780)	(211,355)
Disposal of subsidiary, net cash disposed of	9	-	(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		1,954	2,817
Proceeds from disposal of property, plant and equipment		546	1,084
Dividend received from financial assets, available for sale	17	2,422	-
Interest received		9,494	8,976
Net cash used in investing activities		(115,364)	(218,701)
Cash flows from financing activities			
Proceeds from borrowings		513,471	320,847
Repayment of borrowings		(465,406)	(257,227)
Proceeds from issuance of convertible bonds		-	296,479
Proceeds from warrants conversion		207	2,116
Dividend paid		(22,205)	(80,219)
Interest paid		(42,565)	(23,908)
Net cash (used in)/provided by financing activities		(16,498)	258,088
Net change in cash and cash equivalents			
		(47,432)	172,177
Cash and cash equivalents at beginning of financial year		196,594	37,274
Effects of currency translation on cash and cash equivalents		(7,121)	(12,857)
Cash and cash equivalents at end of financial year	9	142,041	196,594

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

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 3 Raffles Place, #07-01, Bharat Building, Singapore 048617.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 33.

2. Significant accounting policies

2.1 Basis of preparation

These 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 2008

On 1 January 2008, 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:

INT FRS 111 Group and Treasury Share Transaction

The adoption of the above FRS did not result in any substantial changes to the Group’s accounting policies nor any significant impact on these financial statements.

2.2 Going concern

The Group incurred a net loss of \$75,764,000 during the financial year ended 31 December 2008. As of 31 December 2008, the Group’s current liabilities exceeded its current assets by \$129,386,000, mainly due to the use of short-term borrowings to finance its property, plant and equipment. The financial statements are prepared on a going concern basis as the Group expects that it will be able to meet its liabilities as and when due based on the following assumptions:

- (i) the Group’s bankers have confirmed their intention to provide continuing financial credit facilities to the Group totalling RMB1,295,000,000 (approximately \$271,900,000) for the twelve months beginning 1 January 2009; and
- (ii) sufficient cash will be generated from operating activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.2 Going concern (continued)

If these are not forthcoming, the Group may be unable to continue in operational existence for the foreseeable future and adjustments would have to be made to the financial statements to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the Group may have to provide for further liabilities which may arise, and to classify the non-current assets as current asset. The financial statements for the financial year ended 31 December 2008 do not include the adjustments that would result if the Group was unable to continue as a going concern.

2.3 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.

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

Reverse acquisition (continued)

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
- (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 2.8).

Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by 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. They are deconsolidated from 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 2.8 for the Company's accounting policy on investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.9).

(ii) *Component of costs*

The cost of an item of property, plant and equipment initially recognised at 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.

(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 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. The effects of any revision are recognised in the income statement when the changes arise.

(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 only when it is probable that future economic benefits, associated with the item will flow to the Group and the cost can be reliably measured. All other repair and maintenance expenses are 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 recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(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 2.6).

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.

2.6 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.

2.7 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 2.5).

2.8 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses (Note 2.9) 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.

2.9 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 tested for impairment whenever there is any objective evidence or 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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.

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) *Classification* (continued)

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

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*

Regular way 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.

(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 and financial assets, held-to-maturity 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(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.

2.11 Financial guarantees

The Group and the Company have issued corporate guarantees to banks for bank borrowings of third parties (Note 27) 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.11 Financial guarantees (continued)

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.

2.12 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 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.

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.

2.13 Trade and other payables

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

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.14 Fair value estimation of financial assets and liabilities (continued)

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.

2.15 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 2008

2. Significant accounting policies (continued)

2.15 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.

2.16 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.

2.17 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.17 Income taxes (continued)

- (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.

2.18 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.

2.19 Employee compensation

(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.

2.20 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”). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.20 Currency translation (continued)

(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.

(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.

2.21 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.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions and exclude balances which are subject to restrictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

2. Significant accounting policies (continued)

2.23 Dividends to Company's shareholders

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

3. Other losses - net

	Group	
	2008 \$'000	2007 \$'000
Sale of scrap materials	1,310	1,583
Government grants	1,223	193
Interest income		
- bank deposits	9,257	8,653
- loan to investee company	237	323
(Loss)/Gain on disposal of financial assets at fair value through profit or loss	(110)	485
Fair value loss – financial assets at fair value through profit or loss	(1,674)	(572)
Rental income from investment property	410	396
(Loss)/Gain on disposal of property, plant and equipment	(3,732)	33
Gain on disposal of subsidiary (Note 9)	-	53
Currency translation gain/(loss) – net	419	(12,951)
Pre-operating expenses of new subsidiaries	-	(1,966)
Impairment charge for property, plant and equipment	(20,938)	-
Other	1,105	375
	(12,493)	(3,395)

4. Expenses by nature

	Group	
	2008 \$'000	2007 \$'000
Raw materials, finished goods and consumables	2,069,176	1,439,531
Changes in inventories of raw materials, work-in-progress and finished goods	88,977	(138,528)
Inventory write-down	11,045	-
Depreciation of property, plant and equipment (Note 20)	67,880	52,185
Depreciation of investment property (Note 19)	69	69
Total depreciation	67,949	52,254
Employee compensation (Note 5)	31,671	22,930
Rental on operating leases	381	528
Transportation	5,492	3,692
Other expenses	11,339	5,900
Total cost of sales, distribution and marketing and administrative expenses	2,286,030	1,386,307

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

5. Employee compensation

	Group	
	2008	2007
	\$'000	\$'000
Wages and salaries	29,175	22,114
Employer's contribution to defined contribution plans	2,496	816
	31,671	22,930

6. Finance expenses

	Group	
	2008	2007
	\$'000	\$'000
Interest expense		
- bank borrowings	27,987	13,686
- finance lease liabilities	195	1
- convertible bonds	18,940	11,047
Less: Amount capitalised in construction-in-progress	(2,349)	(2,471)
Interest expenses on borrowings recognised in income statement	44,773	22,263
Bills discounting charges – net	14,383	10,221
Bank charges	1,171	771
Net finance expense	60,327	33,255

7. Income taxes

(a) Income tax credit/(expense)

	Group	
	2008	2007
	\$'000	\$'000
Tax credit/(expense) attributable to results is made up of:		
- Result from current financial year		
Current income tax		
- Singapore	(125)	(120)
- Foreign	(813)	(25,143)
	(938)	(25,263)
Deferred income tax (d)	11,573	-
Under provision in preceding financial years		
Current income tax	-	(7)
	10,635	(25,270)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

7. Income taxes (continued)

- (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 25% (2007: 30%) due to the following:

	Group	
	2008 \$'000	2007 \$'000
(Loss)/Profit before tax	(86,399)	119,029
Tax calculated at tax rate of 25% (2007: 30%)	(21,600)	35,709
Effects of:		
Different tax rates in other countries	2,204	2,222
Expenses not deducted for tax	4,842	9,896
Income not subject to tax	(1,223)	(1,488)
Income subject to concessionary rate	5,178	(21,023)
Statutory stepped income exemption	(36)	(53)
Tax (credit)/charge	(10,635)	25,263

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%. Pursuant to the new China Corporate Income Tax Law, which was effective from 1 January 2008, the People's Republic of China enterprise income tax rate shall be 25% and Delong Steel pays income tax at a concessionary rate of 12.5%.

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.

- (c) Movements in current income tax (recoverable)/liabilities

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Beginning of financial year	11,127	7,356	94	8
Currency translation differences	584	(1)		-
Under provision in preceding years	-	7		-
Income tax paid	(13,857)	(21,498)	(12)	(8)
Tax expense on profit for the current financial year	938	25,263	125	94
End of financial year	(1,208)	11,127	207	94

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

7. Income taxes (continued)

(c) Movements in current income tax (recoverable)/liabilities (continued)

Current income tax (recoverable)/liabilities are presented on the balance sheet as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Tax recoverable	(1,863)	-	-	-
Current income tax liabilities	655	11,127	207	94
	(1,208)	11,127	207	94

(d) Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2008 \$'000	2007 \$'000
Deferred income tax assets		
- to be recovered within one year	5,374	-
- to be recovered after one year	6,508	-
	11,882	-

Movement in deferred income tax account is as follows:

	Tax losses \$'000	Inventory write-down \$'000	Unutilised capital allowances \$'000	Total \$'000
2008				
Beginning of financial year	-	-	-	-
Credited to income statement	5,400	1,304	4,869	11,573
Currency translation differences	143	35	131	309
End of financial year	5,543	1,339	5,000	11,882

There were no deferred income taxes as at 31 December 2007.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The tax losses expire five years from 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

8. (Losses)/Earnings per share

(a) Basic (losses)/earnings per share

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

	2008	2007
Net result attributable to members of the Company (S\$'000)	(75,764)	93,759
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	535,101	533,933
Basic (losses)/earnings per share (expressed in cents)	(14.2)	17.6

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated based on the weighted average number of shares in issue during the financial year after adjusting for the dilutive effect of the outstanding warrants as at 31 December 2007. There were no outstanding warrants as at 31 December 2008. The warrants had expired in October 2008. The convertible bonds, which can be converted into ordinary shares of the Company do not have a dilutive effect on conversion and hence are not included in the calculation of the diluted earnings per share.

	Total	
	2008	2007
Net result attributable to members of the Company (S\$'000)	(75,764)	93,759
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	535,101	533,933
Adjustments for assumed conversion of warrants ('000)	-	572
Weighted average number of ordinary shares for diluted earnings per share ('000)	535,101	534,505
Diluted (losses)/earnings per share (expressed in cents)	(14.2)	17.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

9. Cash and cash equivalents

The cash and cash equivalents comprise the following:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and on hand	122,876	68,073	60,286	37,175
Fixed deposits with bank	19,165	128,521	17,041	125,369
Cash and cash equivalents per cash flow statement	142,041	196,594	77,327	162,544

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. The amounts of RMB funds held by the Group are shown in Note 29 (a) (i).

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 \$10,701,000. The effects of the disposal on the cashflows of the Group were:

	Group	
	2008 \$'000	2007 \$'000
Property, plant and equipment	-	81
Other current assets	-	10,156
Cash and bank balances	-	646
Trade and other payables	-	(235)
	-	10,648
Gain on disposal	-	53
Sales consideration receivable	-	10,701
Net cash outflow on disposal of a subsidiary	-	646

10. Bank balances pledged

These bank balances, denominated in RMB, were pledged for notes payables amounting to \$118,664,000 as at 31 December 2008 (2007: \$42,494,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

11 Financial assets, at fair value through profit or loss

	Group and Company	
	2008 \$'000	2007 \$'000
Held for trading		
Listed equity securities – Hong Kong	1,012	3,375
Structured notes	-	1,375
	1,012	4,750

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

12. Trade and other receivables - current

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Finance lease receivables (Note 16)	-	710	-	-
Trade receivables	4,935	217	11	35
Notes receivable	26,681	25,942	-	-
Dividend receivable from a subsidiary	-	-	-	41,200
Other receivables	87	111	-	103
	31,703	26,980	11	41,338

13. Inventories

	Group	
	2008 \$'000	2007 \$'000
Raw materials	16,029	153,738
Work-in-progress	29,125	41,603
Finished goods	61,304	11,175
Production supplies	34,734	34,698
	141,192	241,214

The cost of inventories recognised as expense and included in 'cost of sales' amounted to \$2,169,000,000 (2007: \$1,301,000,000).

14. Other current assets

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deposits	1,962	58	17	58
Prepayments	30,579	28,649	-	14
Other	15,130	16,174	-	4
	47,671	44,881	17	76

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

15. Trade and other receivables – non-current

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Finance lease receivables (Note 16)	12,280	7,031	-	-
Due from an investee company	4,929	4,682	-	-
Loans to subsidiaries	-	-	228,054	130,217
Advance to a subsidiary	-	-	-	1,160
	17,209	11,713	228,054	131,377

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

Amount due from an investee company was non-trade, unsecured, bearing interest at 6.903% per annum (2007: 6.903% per annum).

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		Company	
	2008 \$'000	2007 \$'000	2008 %	2007 %
Finance lease receivables (Note 16)	12,280	7,031	7.41	10.65

16. Finance lease receivables

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

	Group	
	2008 \$'000	2007 \$'000
Gross receivables due		
- Not later than one year	940	770
- Later than one year but within five years	14,138	10,056
	15,078	10,826
Less: Unearned finance income	(2,798)	(3,085)
Net investment in finance leases	12,280	7,741

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

16. Finance lease receivables (continued)

The net investment in finance leases is analysed as follows:

	Group	
	2008 \$'000	2007 \$'000
- Not later than one year (Note 12)	-	710
- Later than one year but within five years (Note 15)	12,280	7,031
	12,280	7,741

17. Financial assets, available-for-sale

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Beginning of financial year	13,918	1,975	11,923	-
Currency translation differences	105	20	-	-
Dividend received	(2,422)	-	(2,422)	-
Fair value losses recognised in equity	(4,848)	-	(4,848)	-
Additions	-	11,923	-	11,923
End of financial year	6,753	13,918	4,653	11,923

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

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Listed securities				
- 12,000,000 shares in Cape Lambert Iron Ore Ltd ("Cape Lambert")	1,901	7,873	1,901	7,873
Unlisted securities				
- 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd	2,100	1,995	-	-
- Option to subscribe for 28,000,000 shares in Cape Lambert	2,752	4,050	2,752	4,050
	6,753	13,918	4,653	11,923

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 \$36.2 million.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

17. Financial assets, available-for-sale (continued)

Cape Lambert Iron Ore Ltd (“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.

The option to subscribe for shares (the “Option”) in Cape Lambert entitles the Company, for a period of three and a half years from 4 September 2008, 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. The cost of the 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.

During the financial year, the Company received a dividend from Cape Lambert, which was recorded against the cost of investments as this is considered a partial realisation of the Company’s cost of investment.

18. Investment in subsidiaries

	Company	
	2008 \$'000	2007 \$'000
Unquoted equity investment at cost		
Beginning of financial year	376,044	372,271
Currency translation difference	19,788	3,773
End of financial year	395,832	376,044

Details of subsidiaries are provided in Note 33.

19. Investment property

	Group	
	2008 \$'000	2007 \$'000
<i>Cost</i>		
At 1 January and 31 December	3,466	3,466
<i>Accumulated depreciation</i>		
At 1 January	205	136
Depreciation	69	69
At 31 December	274	205
Net book value	3,192	3,261

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

19. Investment property (continued)

It is the intention of the Group to hold the investment property for long-term rental yields. The Directors are of the opinion that the fair value of the investment property approximates \$3,000,000 (2007: \$3,450,000, 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 28) and is mortgaged to secure bank loans (Note 22). Details of the investment property are as follow:

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

The following amounts are recognised in the income statements:

	Group	
	2008 \$'000	2007 \$'000
Rental income	410	396
Direct operating expenses arising from investment properties that generated rental income	1	7
Property tax and other direct operating expenses arising from an investment property that did not generate rental income	184	125

20. Property, plant and equipment

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and equipment \$'000	Motor vehicles and other \$'000	Construction in progress \$'000	Total \$'000
Group						
<i>Cost</i>						
At 1 January 2008	13,101	164,025	575,271	14,171	54,315	820,883
Currency translation differences	689	8,628	30,251	736	2,857	43,161
Additions	1,132	6,473	3,472	1,715	99,407	112,199
Disposals	-	(4,816)	(3,472)	(772)	-	(9,060)
Transfers in/(out)	-	28,418	55,288	780	(84,486)	-
At 31 December 2008	14,922	202,728	660,810	16,630	72,093	967,183
<i>Accumulated depreciation</i>						
At 1 January 2008	1,269	20,778	107,071	5,018	-	134,136
Charge for the year	215	8,513	56,873	2,279	-	67,880
Disposals	-	(2,356)	(1,954)	(472)	-	(4,782)
Impairment charge	-	5,345	15,583	10	-	20,938
Currency translation differences	73	1,401	7,504	313	-	9,291
At 31 December 2008	1,557	33,681	185,077	7,148	-	227,463
Net book value						
At 31 December 2008	13,365	169,047	475,733	9,482	72,093	739,720

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

20. Property, plant and equipment (continued)

	Leasehold land	Leasehold buildings	Plant and equipment	Motor vehicles and other	Construction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
<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
Net book value						
At 31 December 2007	11,832	143,247	468,200	9,153	54,315	686,747

	Office renovation	Office equipment	Total
	\$'000	\$'000	\$'000
Company			
<i>Cost</i>			
At 1 January and 31 December 2008	90	21	111
<i>Accumulated depreciation</i>			
At 1 January 2008	37	8	45
Depreciation charge	18	4	22
Disposals	35	-	35
At 31 December 2008	90	12	102
Net book value			
At 31 December 2008	-	-	9

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

20. Property, plant and equipment (continued)

	Office renovation	Office equipment	Total
	\$'000	\$'000	\$'000
<i>Company</i>			
<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>			
At 31 December 2007	53	13	66

- (a) Certain property, plant and equipment with carrying values as at 31 December 2008 of approximately \$250 million (2007: \$238 million), are pledged as security for certain bank borrowings (Note 22(a)).
- (b) For capitalised interest in construction in progress, please refer to Note 6 to the financial statements.
- (c) The impairment charge during the financial year was mainly in respect of property, plant and equipment which were no longer in use.

21. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade payables to:				
- Third parties	121,219	84,537	-	-
VAT and other taxes payable	8,101	2,198	-	-
Payable to contractors for construction-in-progress	17,021	36,951	-	-
Advances from customers	120,438	182,014	-	-
Other accrual for operating expenses	1,733	1,171	388	755
Staff and workers' bonus and welfare fund	2,909	2,034	-	-
Deposit from tenant	109	99	-	-
Deposit from staff and workers	730	1,397	-	-
Due to directors (non-trade)	1,540	3,328	1,178	2,565
Deferred income	3,186	3,359	-	-
Other payables	16,316	7,483	40	37
	293,302	324,571	1,606	3,357

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 2008

22. Borrowings

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Current</i>				
Finance lease liabilities	2	2	2	2
Bank borrowings				
- Unsecured	30,212	65,734	-	-
- Secured (a)	135,890	71,332	-	-
- Guaranteed (b)	50,286	23,940	-	-
	216,390	161,008	2	2
<i>Non-current</i>				
Finance lease liabilities	6	8	6	8
Bank borrowings				
- Unsecured	3,230	4,241	-	-
- Secured (a)	71,590	51,959	-	-
- Guaranteed (b)	-	25,935	-	-
	74,826	82,143	6	8
Total borrowings	291,216	243,151	8	10

(a) Security granted

As at 31 December 2008 these bank loans were secured by certain property, plant and equipment (Note 20), and an investment property (Note 19).

The bank loans were guaranteed by third parties, and Mr Ding Liguo, a Director of the Company. In return, the Group has provided guarantees to banks for borrowings of certain of these third parties as at 31 December 2008 (see Note 27).

(b) Fair value of non-current borrowings

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

23. 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, which 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

23. Convertible bonds (continued)

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.

The bondholder has the right to require the Company to redeem all or part of the bonds at 109.34% of the principal amount on or after 8 June 2010.

The bondholder 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 34).

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 at the time of the issuance of the convertible bonds.

During the financial year, a bondholder had exercised its right to convert RMB 1,600,000 in the principal amount of bonds into 71,543 ordinary shares of the Company.

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

	Group and Company	
	2008 \$'000	2007 \$'000
Beginning of financial year	258,454	-
Face value of convertible bonds issued on 8 June 2007	-	304,947
Convertible bonds issuance expenses	-	(8,468)
Equity conversion component (Note 25)	-	(49,660)
Liability component on initial recognition at 8 June 2007	-	246,819
Interest expense	17,245	10,058
Amortisation of convertible bonds expenses	1,695	989
Conversion into ordinary shares	(295)	-
Currency translation differences	14,545	588
End of financial year	291,644	258,454

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

23. Convertible bonds (continued)

The fair value of the liability component of the convertible bonds, which are not actively traded, was approximately \$77,000,000 as at 31 December 2008 based on the indicative quoted price (assuming the fair value of the equity component was negligible) provided by a reputable market information service provider. The fair value was \$258,454,000 as at 31 December 2007 based on cash flows discounted at a borrowing rate of 6.75%.

24. Share capital

Issued ordinary share capital

	Group and Company		Group		Company	
	2008 Shares '000	2007 Shares '000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At beginning of the financial year	534,992	5,307,591	69,520	67,404	406,164	404,048
Consolidation of 10 ordinary shares into 1 new share (a)	-	(4,776,832)	-	-	-	-
Exercise of warrants during the financial year (b)	414	4,233	207	2,116	207	2,116
Issue of ordinary shares of S\$4.455 arising from the convertible bonds	72	-	347	-	347	-
At end of the financial year	535,478	534,992	70,074	69,520	406,718	406,164

- (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.

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

The warrants had expired in October 2008.

25. Other reserves

- (a) Capital reserve

Capital reserve comprise the equity component of the convertible bonds (Note 23) issued in June 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

25. Other reserves (continued)

(b) Currency translation reserve

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Beginning of financial year	(5,545)	(7,565)	3,186	-
Currency translation differences	1,032	2,020	5,246	3,186
End of financial year	(4,513)	(5,545)	8,432	3,186

(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.

(d) Retained earnings

As at 31 December 2008, approximately \$25,268,000 (2007: \$25,268,000) of the total retained earnings cannot be distributed as dividends as these are accumulated before the Acquisition (Note 2.4).

26. Dividends

	Group and Company	
	2008 \$'000	2007 \$'000
<i>Ordinary dividends paid</i>		
Final exempt (one-tier) dividend paid in respect of the financial year ended 31 December 2007 of 4.15 cents per ordinary share (31 December 2006 : 15 cents per ordinary share)	22,205	80,219

No dividends were declared for the financial year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

27. Contingent liabilities

Guarantees given to banks by the Group in respect of bank loans granted to third parties amounted to approximately S\$19,760,000 (2007: \$29,666,000). In return, guarantees are obtained from these third parties for the Group's borrowings (Note 22).

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.

28. Commitments

(a) Capital commitments

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

	Group	
	2008	2007
	\$'000	\$'000
Property, plant and equipment	83,122	69,305

(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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	87	315	-	232
Later than 1 year but not later than 5 years	348	330	-	-
Later than 5 years	3,689	3,578	-	-
	4,124	4,223	-	232

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

28. Commitments (continued)

- (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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within one year	436	264	-	-
Later than 1 year but not later than 5 years	290	-	-	-
	726	264	-	-

29. 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 any 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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
<u>Group</u>						
<i>At 31 December 2008</i>						
Financial assets						
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	196,636	29,190	50,851	3,030	4,242	283,949
Trade and other receivables	65,976	-	-	-	28	66,004
	<u>262,612</u>	<u>29,190</u>	<u>50,851</u>	<u>3,030</u>	<u>4,270</u>	<u>349,953</u>
Financial liabilities						
Borrowings	521,343	59,415	-	-	2,102	582,860
Other financial liabilities	410,246	-	-	-	1,720	411,966
	<u>931,589</u>	<u>59,415</u>	<u>-</u>	<u>-</u>	<u>3,822</u>	<u>994,826</u>
Net financial (liabilities) / assets	(668,977)	(30,225)	50,851	3,030	448	(644,873)
Less: Net financial liabilities / (assets) denominated in the respective entities functional currency	668,977	-	-	-	-	668,977
Currency exposure	<u>-</u>	<u>(30,225)</u>	<u>50,851</u>	<u>3,030</u>	<u>448</u>	<u>24,104</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000
Group						
<i>At 31 December 2007</i>						
Financial assets						
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
Financial liabilities						
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
Net financial (liabilities) / assets	(678,009)	59,435	48,952	4,772	289	(564,561)
Less: Net financial liabilities / (assets) denominated in the respective entities functional currency	678,009	-	-	-	(797)	677,212
Currency exposure	-	59,435	48,952	4,772	(508)	112,651
	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000

Company

At 31 December 2008

Financial assets

Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	-	27,106	50,851	3,017	2,018	82,992
Trade and other receivables	-	-	-	-	228,082	228,082
	-	27,106	50,851	3,017	230,100	311,074

Financial liabilities

Borrowings	291,644	-	-	-	8	291,652
Other financial liabilities	-	-	-	-	1,606	1,606
	291,644	-	-	-	1,614	293,258

Net financial (liabilities) / assets

	(291,644)	27,106	50,851	3,017	228,486	17,816
Less: Net financial liabilities / (assets) denominated in the respective entities functional currency	291,644	-	-	-	-	291,644

Currency exposure	-	27,106	50,851	3,017	228,486	309,460
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	RMB \$'000	USD \$'000	AUD \$'000	HKD \$'000	SGD \$'000	Total \$'000
<u>Company</u>						
At 31 December 2007						
Financial assets						
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
Financial liabilities						
Borrowings	258,454	-	-	-	10	258,464
Other financial liabilities	-	-	-	-	3,357	3,357
	258,454	-	-	-	3,367	261,821
Net financial (liabilities) / assets	(258,454)	124,257	48,952	4,772	170,646	90,173
Less: Net financial liabilities / (assets) denominated in the respective entities functional currency	258,454	-	-	-	-	258,454
Currency exposure	- 124,257		48,952	4,772	170,646	348,627

If the value of USD, SGD and AUD change against the RMB by 2% (2007: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial liability / asset position will be as follows:

	2008		2007	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Group</u>				
USD against RMB				
- strengthened	(604)	-	1,189	-
- weakened	604	-	(1,189)	-
SGD against RMB				
- strengthened	9	-	(10)	-
- weakened	(9)	-	10	-
AUD against RMB				
- strengthened	924	93	741	238
- weakened	(924)	(93)	(741)	(238)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	2008		2007	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Company</u>				
USD against RMB				
- strengthened	542	-	2,485	-
- weakened	(542)	-	(2,485)	-
SGD against RMB				
- strengthened	4,570	-	(3,413)	-
- weakened	(4,570)	-	3,413	-
AUD against RMB				
- strengthened	924	93	741	238
- weakened	(924)	(93)	(741)	(238)

(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. 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% (2007: 5%) with all other variables including tax rate being held constant, the profit after tax and equity will be:-

	2008		2007	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Group and Company</u>				
Listed in ASX				
- increased by	-	233	-	596
- decreased by	-	(233)	-	(596)
Listed in Hong Kong				
- increased by	51	-	238	-
- decreased by	(51)	-	(238)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. 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 bonds 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% (2007: 1 %) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by S\$2,297,000 (2007: \$1,729,000) 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Corporate guarantees provided to banks on:				
- subsidiaries' loans	-	-	2,095	2,290
- third parties' loans	19,760	29,666	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>By geographical areas</i>				
People's Republic of China	96,554	83,352	112,695	83,779
Australia	-	-	-	1,160
Singapore	29	222	115,387	87,852
	96,583	83,574	228,082	172,791
<i>By types of customers</i>				
Non-related parties	96,583	83,574	28	214
Related parties	-	-	228,054	172,577
	96,583	83,574	228,082	172,791

(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 mainly 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(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
<u>Group</u>			
At 31 December 2008			
Notes payables	118,664	-	-
Trade and other payables	290,116	-	-
Borrowings	216,390	79,648	-
Convertible bonds	-	372,966	-
	625,170	452,614	-
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	-
	524,714	430,888	10,238
	Less than 1 year	Later than 1 year and not later than 5 years	Over 5 years
	\$'000	\$'000	\$'000
<u>Company</u>			
At 31 December 2008			
Trade and other payables	1,606	-	-
Borrowings	2	6	-
Convertible Bonds	-	372,966	-
	1,608	372,972	-
At 31 December 2007			
Trade and other payables	3,357	-	-
Borrowings	2	8	-
Convertible Bonds	-	354,161	-
	3,359	354,169	-

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

29. Financial risk management (continued)

(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 bonds and borrowings less cash and cash equivalents.

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net debt	440,819	305,011	214,325	95,910
Total equity	282,900	384,183	413,450	466,203
Gearing ratio	155.8%	79.4%	51.8%	20.6%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2008.

30. Immediate and ultimate holding corporation

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

As at 31 December 2007, the Company's immediate and ultimate holding corporation was Best Decade Holdings Limited.

31. 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:

	2008 \$'000	2007 \$'000
Salaries and other short term employee benefits	1,664	1,398
Post-employment benefits – defined contribution plans	480	390
	2,144	1,788

Included in the above was total compensation to directors of the Company amounting to \$1,164,900 (2007: \$909,000), including directors' fees of \$237,500 (2007: \$185,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

31. Related party transactions (continued)

- (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.

32. Segment information

(a) Primary reporting format- business segment

In 2007 and 2008, the Group was organized into one single business segment i.e the manufacture and sale of hot-rolled steel coils.

Primary reporting format-business segments **For the financial year ended 31 December 2008**

	Manufacturing	Other	Total
	\$'000	\$'000	\$'000
REVENUE			
External Sales	2,271,314	1,137	2,272,451
Inter-segment sales	2,246	4,414	6,660
	2,273,560	5,551	2,279,111
Elimination			(6,660)
			2,272,451
SEGMENT RESULTS			
Segment results	(17,447)	(8,625)	(26,072)
Finance expenses			(60,327)
Loss before tax			(86,399)
Tax credit			10,635
Loss after tax			(75,764)
OTHER INFORMATION			
Capital expenditure	112,199	-	112,199
Depreciation	67,926	23	67,949
Impairment charge for property, plant and equipment	20,938	-	20,938

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

32. Segment information (continued)

(a) Primary reporting format- business segment (continued)

	Manufacturing	Other	Elimination	Total
	\$'000	\$'000	\$'000	S\$'000
Segment assets	1,120,216	782,465	(638,045)	1,264,636
Unallocated assets	-	-	-	13,745
CONSOLIDATED TOTAL ASSETS				1,278,381
Segment liabilities	909,484	351,622	(266,280)	994,826
Unallocated liabilities	-	-	-	655
CONSOLIDATED TOTAL LIABILITIES				995,481

For the financial year ended 31 December 2007

	Manufacturing	Other	Total
	\$'000	\$'000	\$'000
REVENUE			
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	199,471	2	199,473
Depreciation	52,232	22	52,254

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

32. Segment information (continued)

(a) Primary reporting format- business segment (continued)

	Manufacturing	Other	Elimination	Total
	\$'000	\$'000	\$'000	S\$'000
SEGMENT AND CONSOLIDATED TOTAL ASSETS	1,137,967	683,572	(557,559)	1,263,980
Segment liabilities	791,616	262,849	(185,795)	868,670
Unallocated liabilities				11,127
CONSOLIDATED TOTAL LIABILITIES				879,797

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.

33. List of companies in the Group

Name of Company	Principal activities	Country of incorporation	Equity holding	
			2008	2007
<u>Held by the Company</u>				
Asia Paragon International Limited (Note a)	Investment holding	British Virgin Islands	100%	100%
Dexin Steel Pte Ltd (Note b)	Investment property holding	Singapore	100%	100%
DL Resources (Australia) Pty Ltd (Note c)	Investment holding	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

33. List of companies in the Group (continued)

Name of Company	Principal activities	Country of incorporation	Equity holding	
			2008	2007
<u>Held by Asia Paragon</u>				
Delong Steel Limited (Note d)	Production and sales of hot-rolled steel coils	PRC	100%	100%
Dezhong International Financing Leasing Co., Ltd (formerly known as Tianjin Detong Leasing Co., Ltd) (Note e)	Financial Leasing activities	PRC	100%	100%
<u>Held by Delong Steel</u>				
Xingtai Xinlong Coal-Gas Limited (Note f)	Coal gas recycling	PRC	100%	100%
Xingtai Delong Machinery and Mill Roll Co., Ltd (Note e)	Design, development, manufacturing and sale of large diameter steel mill rollers and large cast steel articles	PRC	100%	100%

Notes

- (a) Not required to be audited under the laws of the country of incorporation and not a significant subsidiary.
- (b) Audited by PricewaterhouseCoopers LLP Singapore.
- (c) Not required to be audited under the laws of the country of incorporation and not a significant subsidiary.
- (d) 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.
- (e) 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.
- (f) For the audit of the consolidated financial statements of Delong Holdings Limited, PricewaterhouseCoopers Zhong Tian CPAs Limited Company (Guangzhou Branch) was engaged to perform a review for consolidation purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

34. Event occurring after the balance sheet date

On 11 February 2009, Evraz Group S.A. (“Evraz”) announced that it has entered into a second supplemental agreement (the “Second Supplemental Agreement”) with the Company’s controlling shareholder, Best Decade Holdings Limited (“Best Decade”) and the Covenantors (being Mr Ding Liguo and Ms Zhao Jing) to amend the terms of the share purchase agreement dated 18 February 2008 entered into by the same parties (as amended by the Supplemental Agreement dated 15 August 2008 (the “SPA”), pursuant to which Evraz, Best Decade and the Covenantors agreed, inter alia, to further extend the period for which Evraz is entitled to exercise its Call Option and the period for which Best Decade is entitled to exercise its Put Option subject to satisfaction of certain conditions, including the necessary anti-trust approvals from the PRC regulatory authorities, to 18 August 2009.

The application for voluntary deregistration of DL Resources Pty Ltd has been approved by Australian Securities & Investments Commission (“ASIC”) on 16 January 2009. ASIC may deregister the company two months after the publication of the notice in the Australia Government Gazette.

35. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The Group’s assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

- (a) FRS 1(R) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2008

35. New or revised accounting standards and interpretations (continued)

- (b) FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

- (c) Revised FRS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

36. Comparatives

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

37. 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 27 March 2009.

STATISTICS OF SHAREHOLDINGS

As at 5 March 2009

Issued and Fully paid-up Share Capital	:	S\$406,718,366.37
No. of Shares	:	535,478,498
Voting Rights	:	1 Vote per share
Class of Shares	:	Ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	710	34.77	275,407	0.05
1,000 - 10,000	1,153	56.47	3,794,488	0.71
10,001 - 1,000,000	171	8.37	11,502,316	2.15
1,000,001 AND Above	8	0.39	519,906,287	97.09
TOTAL	2,042	100.00	535,478,498	100.00

TOP TWENTY SHAREHOLDERS

Name	No. of Shares	%
Best Decade Holdings Limited	337,189,428	62.97
Merrill Lynch (Singapore) Pte Ltd	53,668,748	10.02
HSBC (Singapore) Nominees Pte Ltd	49,077,696	9.17
DBS Nominees Pte Ltd	40,307,609	7.53
Citibank Nominees Singapore Pte Ltd	29,376,700	5.49
Key Consultant Investments Ltd	5,232,000	0.98
DB Nominees(S) Pte Ltd	3,027,128	0.57
Raffles Nominees Pte Ltd	2,026,978	0.38
Teo Chee Kok	815,000	0.15
Yong Foong Yee	587,000	0.11
Goh Hong Soon @ Goh Ah Lam	569,000	0.10
Poh Kiat	507,000	0.09
Morgan Stanley Asia (Singapore) Securities Pte Ltd	500,000	0.09
DBSN Services Pte Ltd	400,000	0.07
DBS Vickers Securities (S) Pte Ltd	394,925	0.07
United Overseas Bank Nominees Pte Ltd	327,753	0.06
Lee Ah Bah @ Lee Beng Hoe	304,100	0.06
Chew Yam Poey	300,000	0.06
OCBC Securities Private Ltd	249,425	0.05
Wong Yet Kuan @ Wong Aik Khoon	228,000	0.04
	525,088,490	98.06

STATISTICS OF SHAREHOLDINGS

As at 5 March 2009

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Best Decade Holdings Limited	337,189,428	62.97	21,553,074 ⁽¹⁾	4.02
Golden Top Group Limited	-	-	358,742,502 ⁽²⁾	66.99
Ding Ligu	-	-	358,742,502 ⁽³⁾	66.99
Zhao Jing	-	-	358,742,502 ⁽³⁾	66.99
Merrill Lynch (Singapore) Pte Ltd	53,668,748	10.02	-	-
Evrax Group S.A	53,557,498 ⁽⁵⁾	10.00	219,585,741 ⁽⁴⁾	41.01
HSBC (Singapore) Nominees Pte Ltd	49,077,696	9.17	-	-
DBS Nominees Pte Ltd	40,307,609	7.53	-	-
Citibank Nominees Singapore Pte Ltd	29,376,700	5.49	-	-
Citigroup Global Markets Ltd	1,985,535 ⁽⁵⁾	0.37	56,754,619	10.60

Notes:-

- (1) This relates to the shares of the Company which Best Decade Holdings Limited (“Best Decade”) had lent to Citigroup Global Markets Limited (“CGML”) on 13 November 2007 and 20 May 2008, respectively, pursuant to the Global Master Securities Lending Agreement dated 8 November 2007 entered into between Best Decade and CGML.
- (2) Golden Top Group Limited owns 100% of the share capital in Best Decade and is therefore deemed interested in the shares of the Company held by Best Decade.
- (3) Mr Ding Ligu and Madam Zhao Jing hold 70% and 30% respectively of the share capital in Golden Top Group Limited. They are therefore deemed interested in the shares of the Company held by Best Decade.
- (4) Pursuant to a share purchase agreement dated 18 February 2008, as amended by a supplemental agreement dated 15 August 2008 and a second supplement agreement dated 11 February 2009 (“SPA”) entered into between Best Decade, Ding Ligu, Zhao Jing and Evrax S.A. (“Evrax”), Evrax agreed to acquire from Best Decade up to 273,143,239 shares of the Company, subject to and conditional upon the satisfaction of various conditions, including the receipt of certain requisite regulatory approvals. Evrax has on 25 February 2008 completed the purchase of 53,557,498 shares of the Company from Best Decade and is deemed interested in the remaining 219,585,741 shares of the Company which Evrax had agreed to acquire from Best Decade pursuant to the SPA.
- (5) Shares are held through nominees account.

Public Shareholding

Based on the register of shareholdings and to the best knowledge of the Company, as at 5 March 2009, 37.03% 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.

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 Wednesday, 15 April 2009, 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 2008 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Articles 88 and 89 of the Company's Articles of Association:-

Mr Yuan Weimin (Retiring under Article 88) **(Resolution 2)**
Mr Ding Liguu (Retiring under Article 89) **(Resolution 3)**
Mr Hee Theng Fong (Retiring under Article 89) **(Resolution 4)**

Mr Hee Theng Fong will, upon re-election as Director of the Company, remain as member 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.
3. To approve the payment of Directors' fees of S\$237,500.00 for the financial year ended 31 December 2008. (2007: S\$185,000.00) **(Resolution 5)**
4. To re-appoint Messrs PricewaterhouseCoopers LLP as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

General Mandate to authorise the Directors to issue shares or convertible securities

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue:-

- (a) shares; or
- (b) convertible securities; or
- (c) additional convertible securities issued pursuant to Rule 829 of the Listing Rules; and/or
- (d) shares arising from the conversion of securities in (b) and (c) above,

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the total number of issued shares excluding treasury shares in the capital of

NOTICE OF ANNUAL GENERAL MEETING

the Company (calculated in accordance with (ii) below); of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares in the capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”
[See Explanatory note]

(Resolution 7)

BY ORDER OF THE BOARD

Yeo Lee Luang

Company Secretary
Singapore, 30 March 2009

EXPLANATORY NOTE:-

The Ordinary Resolution proposed in item 6 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company of which the aggregate number of shares to be issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the company.

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 3 Raffles Place, #07-01 Bharat Building, Singapore 048617 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

DELONG HOLDINGS LIMITED

(Company Registration. No. 199705215G)

(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

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 Wednesday, 15 April 2009, 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	For**	Against**
1	Directors' Reports and Audited Financial Statements for the year ended 31 December 2008		
2	Re-election of Mr Yuan Weimin as a Director		
3	Re-election of Mr Ding Liguu as a Director		
4	Re-election of Mr Hee Theng Fong as a Director		
5	Approval of Directors' fees amounting to S\$237,500.00		
6	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors		
7	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 _____ 2009.

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

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 3 Raffles Place, #07-01 Bharat Building, Singapore 048617 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.



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