



德龙控股
DELONG HOLDINGS

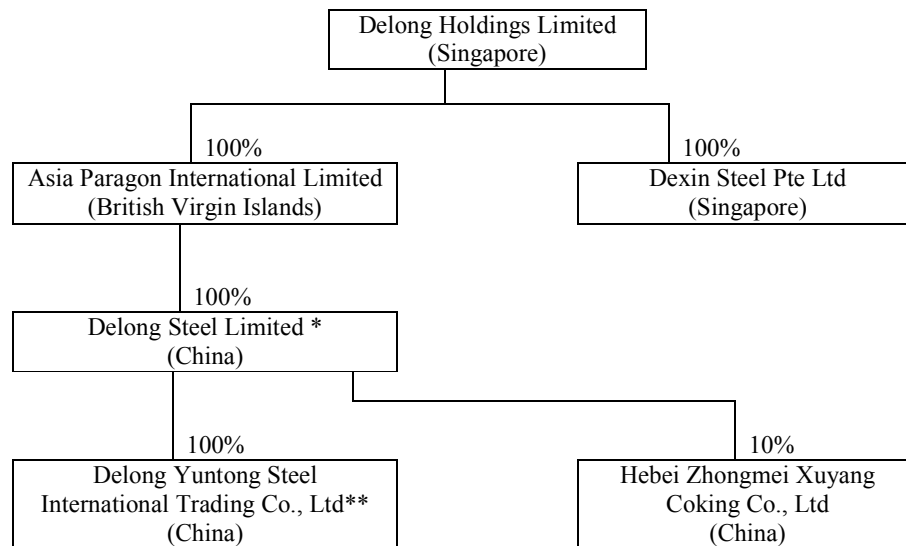
DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2006

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

Corporate Structure



* Effective 1 January 2005, Delong Steel Limited (“Delong Steel”), a wholly foreign-owned enterprise (“WFOE”) established under the laws of the People’s Republic of China (“PRC”), is entitled to a two-year full exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income.

** Delong Yuntong Steel International Trading Co., Limited (“Delong Yuntong”), a local PRC enterprise, does not qualify for tax exemption status under Income Tax Law of the PRC.

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

	Note	The Group		Increase (Decrease) %
		1 st Quarter 31/03/2006	1 st Quarter 31/03/2005	
		S\$'000	S\$'000	
Sales		206,111	223,885	(7.9)
Cost of sales		(186,304)	(171,898)	8.4
Gross Profit		19,807	51,987	(61.9)
Other operating income	1	1,641	991	65.6
Distribution expenses		(1,443)	(1,522)	(5.2)
Administrative expenses		(3,082)	(1,959)	57.3
Other operating expenses		-	(261)	n.m.
Profit from operations		16,923	49,236	(65.6)
Exceptional items	2	-	(12,464)	n.m.
Finance costs		(1,966)	(1,892)	3.9
Profit before tax	3	14,957	34,880	(57.1)
Income tax expense		-	-	-
Profit after tax		14,957	34,880	(57.1)

n.m.: Not meaningful

Notes:-

1	Other operating income	The Group	
		1 st Quarter 31/03/2006	1 st Quarter 31/03/2005
		S\$'000	S\$'000
	Sale of scrap materials	213	333
	Government grants	1,031	287
	Interest income	266	235
	Rental income from investment property	99	108
	Others	32	28
		<u>1,641</u>	<u>991</u>

2 Exceptional items

	The Group	
	1st Quarter 31/03/2006 S\$'000	1st Quarter 31/03/2005 S\$'000
Impairment of goodwill on the Acquisition	-	11,941
Expenses relating to the Acquisition	-	523
	-	<u>12,464</u>

3. Profit before taxation includes the following items:-

	The Group	
	1 st Quarter 31/03/2006 S\$'000	1 st Quarter 31/03/2005 S\$'000
Depreciation and amortization	5,381	4,411
Staff costs	3,462	2,855
Operating lease rental	98	35

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	S\$'000		S\$'000	
	As at 31-03-06	As at 31-12-05	As at 31-03-06	As at 31-12-05
Current Assets				
Cash and cash equivalents	29,644	15,279	237	9
Bank balances pledged	28,210	17,638	-	-
Trade and other receivables	35,777	48,634	27,121	27,125
Inventories	66,708	72,275	-	-
	160,339	153,826	27,358	27,134
Non-current assets				
Other receivables	-	-	14,507	14,507
Investments in subsidiaries	-	-	372,018	372,018
Available-for-sale financial assets	2,015	2,075	-	-
Investment property	3,382	3,399	-	-
Property, plant and equipment	381,388	356,048	101	93
	386,785	361,522	386,626	386,618
Total assets	547,124	515,348	413,984	413,752
Current liabilities				
Trade and other payables	158,247	143,247	1,709	1,138
Notes payables	34,297	20,793	-	-
Borrowings	100,134	100,615	2	-
Provision for current tax	16,909	21,568	1	7
Total current liabilities	309,587	286,223	1,712	1,145
Non-current liabilities				
Borrowings	9,882	9,921	11	-
Deferred tax liabilities	140	140	3	3
	10,022	10,061	14	3
CAPITAL AND RESERVE:				
Share capital	67,208	58,377	403,852	265,001
Reserves	160,307	160,687	8,406	147,603
Total equity	227,515	219,064	412,258	412,604
Total liabilities and equity	547,124	515,348	413,984	413,752

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debts securities, specify the following as at the end of the financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

As at 31-03-2006	As at 31-12-2005
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
75,954	24,180	75,715	24,900

Amount repayable after one year

As at 31-03-2006	As at 31-12-2005
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Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,612	8,270	4,164	5,757

Details of any collateral

The Group's borrowings are secured by the following:

- (i) Corporate guarantee by the Company and;
- (ii) Certain property, plant and equipment and investment property of the Group.

* Borrowings amounting to S\$24,180,000 (31 December 2005:S\$24,900,000) were guaranteed by a third party.

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

	The Group	
	1 st Quarter	1 st Quarter
	31/03/2006	31/03/2005
	S\$'000	S\$'000
Cash flows from operating activities:		
Profit before taxation	14,957	34,880
Adjustments for:		
Depreciation	5,381	4,411
Impairment of goodwill	-	11,941
Loss on disposal of property, plant and equipment	-	7
Interest income	(266)	(235)
Interest expense	1,966	2,043
	7,081	18,167
Operating cash flow before working capital changes	22,038	53,047
Bank balances pledged	(10,572)	(3,330)
Receivables	12,857	(88,928)
Inventories	5,567	(1,050)
Payables	28,504	72,443
	36,356	(20,865)
Cash generated from operating activities	58,394	32,182
Income tax refund /(paid)	(4,659)	157
Exchange differences	955	580
	(3,704)	737
Net cash generated from operating activities	54,690	32,919
Cash flows from investing activities:		
Payment for property, plant and equipment	(40,991)	(17,036)
Proceeds from disposal of property, plant and equipment	-	71
Interest received	266	235
Net cash flow on acquisition of subsidiary	-	524
Net cash used in investing activities	(40,725)	(16,206)
Cash flows from financing activities:		
Proceeds from borrowings	18,349	30,000
Repayment of borrowings	(16,166)	(20,313)
Proceeds from warrants conversion	183	-
Proceeds from share placement	-	21,074
Expenses for share placement	-	(718)
Interest paid	(1,966)	(2,043)
Net cash generated from financing activities	400	28,000
Net increase in cash and cash equivalents	14,365	44,713
Cash and cash equivalents at beginning of the period	15,279	41,044
Cash and cash equivalents at end of the period	29,644	85,757

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

The Group

	Share capital	Share premium	Translation reserves	Statutory reserves	Other reserves	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2006	58,377	8,648	2,378	15,374	-	134,287	219,064
Issue of shares pursuant to exercise of warrants*	183	-	-	-	-	-	183
Transfer from/ (to)^	8,648	(8,648)	-	-	-	-	-
Currency translation differences	-	-	(6,689)	-	-	-	(6,689)
Net profit for the period	-	-	-	-	-	14,957	14,957
Balance as at 31 March 2006	67,208	-	(4,311)	15,374	-	149,244	227,515

Balance as at 1 January 2005

As previously reported	34,230	-	(29)	2,860	-	20,446	57,507
Effect of FRS 39	-	-	-	-	-	4,822	4,822
Restated	34,230	-	(29)	2,860	-	25,268	62,329
Cost of acquisition of the Company by Asia paragon	12,439	-	-	-	-	-	12,439
Issue of shares pursuant to share placement	11,708	8,648	-	-	-	-	20,356
Issue of shares pursuant to exercise of warrants	**	-	-	-	-	-	-
Currency translation differences	-	-	538	-	-	-	538
Net profit for the period	-	-	-	-	-	34,880	34,880
Balance as at 31 March 2005	58,377	8,648	509	2,860	-	60,148	130,542

The Company

	Share capital	Share premium	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2006	265,001	138,668	8,935	412,604
Issue of shares pursuant to exercise of warrants*	183	-	-	183
Transfer from/ (to)^	138,668	(138,668)	-	-
Net loss for the period	-	-	(529)	(529)
Balance as at 31 March 2006	403,852	-	8,406	412,258
Balance as at 1 January 2005	8,293	7,520	(15,722)	91
Issue of shares pursuant to the Acquisition	245,000	122,500	-	367,500
Issue of shares pursuant to share placement	11,708	8,648	-	20,356
Issue of shares pursuant to exercise of warrants	**	-	-	-
Net loss for the period	-	-	(884)	(884)
Balance as at 31 March 2005	265,001	138,668	(16,606)	387,063

Notes:-

* The Company issued 3,650,000 ordinary shares at S\$0.05 per share pursuant to the exercise of warrants for the period ended 31 March 2006 ("1Q2006").

** less than S\$1,000.

^ Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 is required to become part of the company's share capital.

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Changes in the Share Capital of the Company for 1st Quarter Ended	31-03-06	31-03-05
Number of ordinary shares at 1 January	5,300,005,500	165,850,000
Shares arising from acquisition of Asia Paragon	-	4,900,000,000
Shares arising from share placement	-	234,150,000
Shares arising from exercise of warrants	3,650,000	2,500
Number of ordinary shares at 31 March	5,303,655,500	5,300,002,500

Outstanding Warrants as at	31-03-06	31-03-05
Outstanding warrants that are convertible into ordinary shares	52,094,485	55,747,485

The Company issued 3,650,000 ordinary shares at S\$0.05 per share pursuant to the exercise of warrants in 1Q2006.

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

The figures have not been audited nor reviewed by our auditors.

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

The figures have not been audited nor reviewed by our auditors.

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

The Group has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the year ended 31 December 2005, except where revised accounting standards became effective from this financial year.

The adoption of the following revised Financial Reporting Standards ("FRS") does not have any significant impact on the Group's financial results.

FRS 39- Financial Instruments: Recognition and Measurement
FRS 21- The Effects of Changes in Foreign Exchange Rates

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not Applicable.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend**

	The Group	
	1st Quarter 31/03/2006 S\$'000	1st Quarter 31/03/2005 S\$'000
Net profit for the period	14,957	34,880
Basic earnings per share (in cents)	0.28	0.71
Diluted earnings per share (in cents)	0.28	0.70
Weighted average no. of shares outstanding for basic earnings per share	5,300,583,656	4,920,813,657
Weighted average no. of shares outstanding for diluted earnings per share	5,331,604,320	4,947,646,472

Explanatory Notes:

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

Diluted earnings per share is calculated based on the same basis as earnings per share by applying the weighted average number of shares in issue during the period under review, after adjusting to include the dilutive effect of the outstanding warrants as at 31 March.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	The Group		The Company	
	31 Mar 2006	31 Dec 2005	31 Mar 2006	31 Dec 2005
Net Asset Value per share (cents)	4.29	4.13	7.77	7.78

Net asset value per share for the Group and Company is calculated based on 5,303,655,500 ordinary shares in issue at the end of the financial period under review and 5,300,005,500 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2005.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

The Group's core business, conducted through Delong Steel, is in the manufacture and sale of mid-width hot-rolled steel coils, with the PRC as its principal market. During 1Q2006, the Group had commenced its activities in the trading of iron ores, conducted through Dexin Steel Pte Ltd.

(a) Review of income statement of the Group

1Q2006 vs 1Q2005

Revenue

The following tables sets out a breakdown, by business activities, of the Group's revenue and cost of sales for the financial periods under review.

Revenue	1Q2006	1Q2005
	S\$'000	S\$'000
Manufacture and Sale	187,396	223,885
Trading	18,715	-
Total	206,111	223,885

Cost of Sales	1Q2006	1Q2005
	S\$'000	S\$'000
Manufacture and Sale	168,500	171,898
Trading	17,804	-
Total	186,304	171,898

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment decreased by S\$36.5 million or 16.3% from S\$223.9 million in 1Q2005 to S\$187.4 million in 1Q2006. The decrease in revenue was principally attributed to the significant decrease in the average selling prices of the products despite the increase in volume of products sold.

In 1Q2006 the Group sold 362,000 tonnes of mid-width steel coils and 29,000 tonnes of steel billets as compared to 287,000 tonnes of mid-width steel coils and 63,000 tonnes of steel billets in 1Q2005. Overall sales volume increased by 41,000 tonnes or 11.7%.

Trading

The Group's Trading business segment contributed S\$18.7 million or 9.1% of the Group's total revenue in 1Q2006. The Group commenced its trading business in January 2006.

Cost of sales

Manufacture and Sale

Cost of sales decreased by S\$3.4 million or 2.0% from S\$171.9 million in 1Q2005 to S\$168.5 million in 1Q2006 despite the increase in volume of products sold of 11.7% due to the lower prices of raw materials consumed.

Trading

Cost of sales for the trading business accounted for S\$17.8 million or 9.6% of the Group's total cost of sales in 1Q2006.

Gross profit

Gross profit decreased by S\$32.2 million or 61.9% from S\$52.0 million in 1Q2005 to S\$19.8 million in 1Q2006. Gross profit margin decreased from 23.2% in 1Q2005 to 9.6% in 1Q2006. Gross profit margin of the Manufacture and Sale business segment was 10.1% in 1Q2006. The relatively low gross profit margin in 1Q2006 was primarily due to the significant decrease in average selling prices of the products.

Gross profit margin from the trading businesses was comparatively lower at approximately 4.9% as such trading businesses involved minimal value-add to the products. This resulted in lower gross profit margin for the Group.

Other Operating Income

Other operating income increased by S\$0.6 million or 65.6% from S\$1.0 million in 1Q2005 to S\$1.6 million in 1Q2006 due to increase in government grant.

Administrative expenses

Administrative expense increased by S\$1.1 million or 57.3% from S\$2.0 million in 1Q2005 to S\$3.1 million in 1Q2006 due to increase in employee-related costs and general administrative expenses as well as commencement of new activities in trading.

Profit from operations

Operating profit decreased by S\$32.3 million or 65.6% from S\$49.2 million in 1Q2005 to S\$16.9 million in 1Q2006, representing an operating profit margin of 22.0% in 1Q2005 and 8.2% in 1Q2006 respectively. The decrease in operating profit was primarily due to the significant decrease in gross profit margin.

Finance cost

Financing cost remained fairly consistent at S\$1.9 million in 1Q2005 and 1Q2006.

Tax

Effective 1 January 2005, Delong Steel, a wholly foreign-owned enterprise ("WFOE") established under the laws of PRC, is entitled to a two-year full exemption followed by a three-year 50% tax deduction from PRC enterprise income tax commencing from the first year of taxable income. Therefore there was no tax expense in 1Q2005 and 1Q2006.

No provision for income tax was provided for Singapore operations during the periods under review and the amount was immaterial.

Net profit

Net profit after tax decreased by S\$19.9 million or 57.1 % from S\$34.9 million in 1Q2005 to S\$15.0 million in 1Q2006, representing a net profit margin of 15.6% in 1Q2005 and 7.3% in 1Q2006 respectively. The lower net profit margin in 4Q2006 was primarily attributable to the lower operating profit margin.

(b) Review of balance sheet of the Group as at 31 March 2006

Current assets

Current assets increased by S\$6.5 million or 4.2% from S\$153.8 million as at 31 December 2005 to S\$160.3 million as at 31 March 2006. The increase was primarily attributable to the increase in cash and cash equivalents from its operating activities and bank balances pledged with banks as securities for note payables. The increase was partially offset by the decrease in trade and other receivables and inventories.

As at 31 March 2006, of the S\$35.8 million of the Group's "trade and other receivables", approximately S\$28.4 million or 79.3% comprised notes receivables from customers and prepayments to vendors and approximately S\$1.6 million was trade receivables.

Current liabilities

Current liabilities increased by S\$23.4 million or 8.2% from S\$286.2 million as at 31 December 2005 to S\$309.6 million as at 31 March 2006. The increase was primarily attributable to the increase in note payables and advance payment from customers (trade and other payables) which were in line with the increase in trade activities during the periods under review. The increase was partially offset by the decrease in borrowings and tax.

Working capital

The Group had negative working capital position of S\$132.4 million and S\$149.3 million as at 31 December 2005 and 31 March 2006, respectively. The Group's negative working capital position was mainly due to the use of short-term bank loans and cash generated from operating activities to finance the technological enhancements at Delong Steel in Xingtai City in FY2005 and 1Q2006. In addition, prepayments from customers amounting to S\$88.6 million were recorded as current liabilities in the balance sheet.

The Group had satisfactorily maintained its credit standing and facilities with financial institutions during the periods under review and the credit facilities had constantly been renewed and/or rolled-over annually by the financial institutions.

Non-current assets

Property, plant and equipment increased by S\$25.4 million from S\$356.0 million as at 31 December 2005 to S\$381.4 million as at 31 March 2006. The increase was primarily due to the construction in progress in relation to the improvement and upgrading of facilities at Delong Steel in Xingtai City. The upgrading activities commenced in May 2005 and are scheduled to fully complete in 4Q2006.

(c) Review of cash flow statement of the Group

1Q2006 vs 1Q2005

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by S\$31.0 million or 58.5% from S\$53.0 million in 1Q2005 to S\$22.0 million in 1Q2006. The decrease was primarily due to decrease in operating profit. Net cash generated from operating activities increased by S\$21.8 million or 66.3% from S\$32.9 million in 1Q2005 to S\$54.7 million 1Q2006, due primarily to improvements in collection of trade and other receivables and better management of inventories. The increase was partially offset by the decrease in payables.

Net Cash Used In Investing Activities

Net cash used in investing activities increased by S\$24.5 million from S\$16.2 million in 1Q2005 to S\$40.7 million in 1Q2006. The increase was in line with the increase in non-current assets during the period under review.

Net Cash Generated From Financing Activities

Net cash generated from financing activities was S\$0.4 million in 1Q2006, out of which S\$0.2 million was the proceeds from the conversion of warrants.

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

The Group's 1Q2006 results are in line with the commentary made under paragraph 10 of the Company's Full Year Financial Statement Announcement for the year ended 31 December 2005 released on 21 February 2006 which stated that "the 1Q2006 performance would improve sequentially upon that of 4Q2005".

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

Improved Outlook for Steel Prices and Gross Profit Margin

Steel prices have firmed up in 1Q2006 compared to 4Q2005 and appear to be on the uptrend globally and within the PRC. The prices of hot -rolled coils ("HRC") sold by the Group so far in April were higher than those achieved a month earlier. As at mid-April 2006, the prices of HRC were approximately 15% higher than the average achieved in 1Q2006.

While average selling prices have increased, there has been no significant increase in prices of raw materials over the comparative periods. As such, the Group has not only been able to achieve higher gross profit margin on a sequential basis for 1Q2006 compared to 4Q2005, but expects the margin to improve further in 2Q2006.

Enlargement of Production Capacity and Product Offering

Following technological enhancements, which have also led to improved efficiencies and cost savings, the Group's total capacity as at the end of March 2006 increased to 1.6 million tonnes a year, compared to 1.4 million tonnes as at 31 December 2005.

The Group remains on track to increase its production capacity further to 2.4 million tonnes by FY2007.

A new production line will be added to allow the Group to widen its product range and with higher quality specifications.

In view of the above factors, barring unforeseen circumstances, the Group is confident that its net profit attributable to shareholders in 2Q2006 will be significantly better than that achieved in 1Q2006.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

However, the first and final 1-tier tax-exempt dividend of S\$0.0045 per ordinary share for the financial year ended 31 December 2005 was approved at Annual General Meeting on 12 April 2006, totaling S\$23.9 million, which is to be paid in three equal tranches. The books closure date and date payable are as follows:-

	Dividend per share	Book Closure Date	Date payable
First payment	S\$0.0015	17 April 2006	15 May 2006
Second payment	S\$0.0015	28 July 2006	15 August 2006
Third payment	S\$0.0015	1 November 2006	15 November 2006

12. If no dividend has been declared/recommended, a statement to that effect

The Board of Directors of the Company does not recommend that a dividend be paid for the first quarter ended 31 March 2006.

**PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2,Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

N.A

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

N.A

15. A breakdown of Sales

N.A

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

N.A.

BY ORDER OF THE BOARD

Ding Ligu
Executive Chairman