



**DELONG HOLDINGS LIMITED**

**Statement Pursuant to SGX Listing Rule 705(4) of the Listing Manual**

**The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial results of Delong Holdings Limited for the first quarter ended 31 March 2007 to be false or misleading in any material respect.**

**On behalf of the Board of Directors**

**Mr. Ding Ligu**  
**Chairman**

**Mr. Guo Sanxiang**  
**Executive Director**

**Singapore**  
**10 May 2007**



**德龙控股**  
DELONG HOLDINGS

**DELONG HOLDINGS LIMITED**

(REG. NO. 199705215G)

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**UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2007**

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

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

		<b>The Group</b>		
		1 <sup>st</sup> Quarter ended	1 <sup>st</sup> Quarter ended	Increase/ (Decrease)
		31/03/2007	31/03/2006	
Note		S\$'000	S\$'000	%
	<b>Sales</b>	272,488	206,111	32.2
	Cost of sales	(221,954)	(186,304)	19.1
	<b>Gross Profit</b>	<b>50,534</b>	<b>19,807</b>	<b>155.1</b>
	<b>Other gains/(losses)</b>			
	-Miscellaneous	944	1,641	(42.5)
	<b>Expenses</b>			
	-Distribution and marketing	(1,358)	(1,443)	(5.9)
	-Administrative	(6,223)	(3,082)	101.9
	-Finance	(3,141)	(1,966)	59.8
	-Others	(20)	-	n.m
	Profit before tax	40,736	14,957	172.4
	Income tax expense	(6,140)	-	n.m
	<b>Profit after tax</b>	<b>34,596</b>	<b>14,957</b>	<b>131.3</b>

*n.m: Not meaningful*

**Notes:-**

**1 Other operating income**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter ended 31/03/2007 S\$'000	1 <sup>st</sup> Quarter ended 31/03/2006 S\$'000
Sale of scrap materials	223	213
Government grants	-	1,031
Interest income	186	266
Rental income from investment property	99	99
Exchange gain	186	-
Others	250	32
	<hr/> 944	<hr/> 1,641

**2. Profit before taxation includes the following items:-**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter ended 31/03/2007 S\$'000	1 <sup>st</sup> Quarter ended 31/03/2006 S\$'000
Depreciation and amortization	11,712	5,381
Staff costs	6,301	3,462
Operating lease rental	81	98

**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 31/03/07	As at 31/12/06	As at 31/03/07	As at 31/12/06
<b>Current Assets</b>				
Cash and cash equivalents	43,008	37,274	3,300	2,756
Bank balances pledged	16,893	23,799	-	-
Trade and other receivables	93,055	62,391	81,710	81,687
Inventories	108,190	101,557	-	-
	261,146	225,021	85,010	84,443
<b>Non-current assets</b>				
Other receivables	-	-	14,515	14,515
Investments in subsidiaries	-	-	371,332	372,271
Available-for-sale financial assets	1,970	1,975	-	-
Investment property	3,314	3,330	-	-
Property, plant and equipment	543,337	534,434	80	86
	548,621	539,739	385,927	386,872
<b>Total assets</b>	<b>809,767</b>	<b>764,760</b>	<b>470,937</b>	<b>471,315</b>
<b>Current liabilities</b>				
Trade and other payables	238,366	229,426	2,306	2,196
Notes payables	22,852	31,600	-	-
Borrowings	164,609	164,300	2	2
Provision for current tax	9,761	7,356	-	8
	435,588	432,682	2,308	2,206
<b>Non-current liabilities</b>				
Borrowings	22,977	15,231	9	10
<b>CAPITAL AND RESERVE:</b>				
Share capital	68,310	67,404	404,954	404,048
Reserves	282,892	249,443	63,666	65,051
Total equity	351,202	316,847	468,620	469,099
Total liabilities and equity	809,767	764,760	470,937	471,315

**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 31/03/2007	As at 31/12/2006
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
113,674	50,935	105,385	58,915

**Amount repayable after one year**

As at 31/03/2007	As at 31/12/2006
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Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,515	12,462	4,663	10,568

**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\$59,209,000 (31 December 2006: S\$64,839,846) were guaranteed by third parties.

**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 <sup>st</sup> Quarter ended 31/03/2007 S\$'000	1 <sup>st</sup> Quarter ended 31/03/2006 S\$'000
<b>Cash flows from operating activities:</b>		
Profit after tax	34,596	14,957
Adjustments for:		
Depreciation	11,712	5,381
Loss on disposal of property, plant and equipment	31	-
(Gain)/Loss on disposal of a subsidiary	(66)	-
Interest income	(186)	(266)
Interest expense	3,141	1,966
Income tax	6,140	-
	20,772	7,081
<b>Operating cash flow before working capital changes</b>	55,368	22,038
Bank balances pledged	6,906	(10,572)
Receivables	(30,106)	12,857
Inventories	(6,398)	5,567
Payables	(3,372)	28,504
	(32,970)	36,356
<b>Cash generated from operating activities</b>	22,398	58,394
Income tax paid	(51)	(4,659)
Exchange differences	(1,262)	955
	(1,313)	(3,704)
<b>Net cash generated from operating activities</b>	21,085	54,690
<b>Cash flows from investing activities:</b>		
Payment for property, plant and equipment	(20,711)	(40,991)
Interest received	186	266
Net cash flow on disposal of a subsidiary	(646)	-
<b>Net cash used in investing activities</b>	(21,171)	(40,725)
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	69,619	18,349
Repayment of borrowings	(61,564)	(16,166)
Proceeds from warrants conversion	906	183
Interest paid	(3,141)	(1,966)
<b>Net cash generated from financing activities</b>	5,820	400
<b>Net increase in cash and cash equivalents</b>	5,734	14,365
Cash and cash equivalents at beginning of the period	37,274	15,279
<b>Cash and cash equivalents at end of the period</b>	43,008	29,644

**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**

<b>The Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Translation reserves</b>	<b>Statutory reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Balance as at 1 January 2007</b>	67,404	-	(7,565)	28,544	-	228,464	316,847
Issue of shares pursuant to exercise of warrants*	906	-	-	-	-	-	906
Currency translation differences	-	-	(1,147)	-	-	-	(1,147)
Net profit for the period	-	-	-	-	-	34,596	34,596
<b>Balance as at 31 March 2007</b>	<b>68,310</b>	<b>-</b>	<b>(8,712)</b>	<b>28,544</b>	<b>-</b>	<b>263,060</b>	<b>351,202</b>
<b>Balance as at 1 January 2006</b>	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
<b>Balance as at 31 March 2006</b>	<b>67,208</b>	<b>-</b>	<b>(4,311)</b>	<b>15,374</b>	<b>-</b>	<b>149,244</b>	<b>227,515</b>

<b>The Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Translation reserves</b>	<b>Total</b>
	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Balance as at 1 January 2007</b>	404,048	-	65,051	-	469,099
Issue of shares pursuant to exercise of warrants*	906	-	-	-	906
Currency translation differences	-	-	-	(939)	(939)
Net loss for the period	-	-	(446)	-	(446)
<b>Balance as at 31 March 2007</b>	<b>404,954</b>	<b>-</b>	<b>64,605</b>	<b>(939)</b>	<b>468,620</b>
<b>Balance as at 1 January 2006</b>	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)
<b>Balance as at 31 March 2006</b>	<b>403,852</b>	<b>-</b>	<b>8,406</b>	<b>-</b>	<b>412,258</b>

**Notes:-**

\* The Company issued 18,114,750 ordinary shares at S\$0.05 per share pursuant to the exercise of warrants for the period ended 31 March 2007 ("1Q2007").

^ 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**

<b>Changes in the Share Capital of the Company for 1<sup>st</sup> Quarter Ended</b>	31/03/07	31/03/06
Number of ordinary shares at 1 January	5,307,591,250	5,300,005,500
Shares arising from exercise of warrants	18,114,750	3,650,000
Number of ordinary shares at 31 March	5,325,706,000	5,303,655,500

<b>Outstanding Warrants as at</b>	31/03/07	31/03/06
Outstanding warrants that are convertible into ordinary shares	30,043,985	52,094,485

The Company issued 18,114,750 ordinary shares at S\$0.05 per share pursuant to the exercise of warrants in 1Q2007.

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 2006.

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 ended 31/03/2007 S\$'000	1st Quarter ended 31/03/2006 S\$'000
Net profit for the period	34,596	14,957
Basic earnings per share (in cents)	0.65	0.28
Diluted earnings per share (in cents)	0.65	0.28
Weighted average no. of shares outstanding for basic earnings per share	5,313,612,444	5,300,583,656
Weighted average no. of shares outstanding for diluted earnings per share	5,335,705,340	5,331,604,320

**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	
	As at 31 Mar 2007	As at 31 Dec 2006	As at 31 Mar 2007	As at 31 Dec 2006
Net Asset Value per share (cents)	6.59	5.97	8.80	8.84

Net asset value per share for the Group and Company is calculated based on 5,325,706,000 ordinary shares in issue at the end of the financial period under review and 5,307,591,250 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2006.

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 hot-rolled steel coils ("HRC") with the People's Republic of China ("PRC") as its principal market. The Group ceased its activities in the trading of iron ores when Delong Yuntong Steel International Trading Co., Ltd was divested with effect from 1 January 2007.

**(a) Review of income statement of the Group**

**1Q2007 vs 1Q2006**

**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.

<b>Revenue</b>	<b>1Q2007</b>	<b>1Q2006</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Manufacture and Sale	272,488	187,396
Trading	-	18,715
<b>Total</b>	<b>272,488</b>	<b>206,111</b>

<b>Cost of Sales</b>	<b>1Q2007</b>	<b>1Q2006</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Manufacture and Sale	221,954	168,500
Trading	-	17,804
<b>Total</b>	<b>221,954</b>	<b>186,304</b>

<b>Gross Profit</b>	<b>1Q2007</b>	<b>1Q2006</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Manufacture and Sale	50,534	18,896
Trading	-	911
<b>Total</b>	<b>50,534</b>	<b>19,807</b>

<b>Gross Profit Margin</b>	<b>1Q2007</b>	<b>1Q2006</b>
	<b>%</b>	<b>%</b>
Manufacture and Sale	18.5	10.1
Trading	-	4.9

**Manufacture and Sale**

The Group's revenue from its Manufacture and Sale business segment increased by S\$85.1 million or 45.4% from S\$187.4 million in 1Q2006 to S\$272.5 million in 1Q2007. The increase in revenue was principally attributed to the significant increase in the volume and average selling prices of product. The increase in average selling prices was partly due to the higher prices of HRC of higher grade produced from the second HRC production line which was commissioned on 15 December 2006.

In 1Q2007, the Group sold 452,000 tonnes of HRC and 7,000 tonnes of steel billets as compared to 362,000 tonnes of HRC and 29,000 tonnes of steel billets in 1Q2006. Overall sales volume increased by 68,000 tonnes or 17.4%.

#### Trading

The Group ceased its trading business with effect from 1 January 2007.

#### **Cost of sales**

##### Manufacture and Sale

Cost of sales increased by S\$53.5 million or 31.8% from S\$168.5 million in 1Q2006 to S\$222.0 million in 1Q2007 in line with the increase in revenue.

#### **Gross profit**

Gross profit increased by S\$30.7 million or 155.1% from S\$19.8 million in 1Q2006 to S\$50.5 million in 1Q2007. Gross profit margin increased from 9.6% in 1Q2006 to 18.5% in 1Q2007. The increase in gross profit margin in 1Q2007 was primarily due to the significant increase in average selling prices of product.

#### **Administrative expenses**

Administrative expenses increased by S\$3.1 million or 101.9% from S\$3.1 million in 1Q2006 to S\$6.2 million in 1Q2007. This was due to higher personnel expenses incurred as a result of capacity expansion as well as higher company-wide salary levels in 1Q2007.

#### **Finance costs**

Finance costs increased by S\$1.1 million or 59.8% from S\$2.0 million in 1Q2006 to S\$3.1 million in 1Q2007. The increase was primarily due to increase in bank borrowings and loan interest rates.

#### **Tax**

Effective 1 January 2007, Delong Steel, a wholly foreign-owned enterprise (“WFOE”) established under the laws of PRC, is entitled to a three-year 50% tax deduction from PRC enterprise income tax.

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

#### **Net profit**

Net profit after tax increased by S\$19.6 million or 131.3 % from S\$15.0 million in 1Q2006 to S\$34.6 million in 1Q2007, representing a net profit margin of 7.3% in 1Q2006 and 12.7% in 1Q2007 respectively, despite enterprise income tax expenses of S\$6.1 million. For FY2006, Delong Steel, being a WFOE, enjoyed full enterprise income tax exemption. The higher net profit margin in 1Q2007 was primarily attributable to the higher operating profit margin.

## **(b) Review of balance sheet of the Group as at 31 March 2007**

### **Current assets**

Current assets increased by S\$36.1 million or 16.0% from S\$225.0 million as at 31 December 2006 to S\$261.1 million as at 31 March 2007. The increase was primarily attributable to the increase in cash and cash equivalents from its operating activities, increase in trade and other receivables as well as inventories, which were in line with the increase in activities during the period under review.

As at 31 March 2007, of the S\$93.1 million of the Group's "trade and other receivables", approximately S\$73.6 million or 79.1% comprised notes receivables from customers and pre-payments to vendors and approximately S\$1.3 million was trade receivables.

### **Current liabilities**

Current liabilities increased by S\$ 2.9 million or 0.7% from S\$432.7 million as at 31 December 2006 to S\$435.6 million as at 31 March 2007. The increase was primarily attributable to the increase in trade and other payables.

### **Working capital**

The Group's negative working capital position improved by S\$33.3 million from S\$207.7 million as at 31 December 2006 to S\$ 174.4 million as at 31 March 2007. 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 addition, pre-payments from customers amounting to S\$145.0 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\$8.9 million from S\$534.4 million as at 31 December 2006 to S\$543.3 million as at 31 March 2007. The increase was primarily due to the construction in progress in relation to the technological enhancement programmes at Delong Steel. Phase 3 of technological enhancement programme to bring the annual production capacity to 3 million tonnes commenced in February 2007.

## **(c) Review of cash flow statement of the Group**

### **1Q2007 vs 1Q2006**

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

Operating cashflow before working capital changes increased by S\$33.2 million or 150.9% from S\$22.0 million in 1Q2006 to S\$55.2 million in 1Q2007. The increase was primarily due to increase in operating profit. Net cash generated from operating activities decreased by S\$33.6 million or 61.4% from S\$54.7 million in 1Q2006 to S\$21.1 million 1Q2007, due primarily to increase in trade and other receivables in line with the increase in activities during the period under review.

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

Net cash used in investing activities was S\$21.2 million in 1Q2007 compared to S\$ 40.7 million in 1Q2006. This 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\$5.8 million in 1Q2007, out of which S\$0.9 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 1Q2007 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 2006 released on 15 February 2007 which stated that "the 1Q2007 performance would be sequentially better than that achieved in 4Q2006".

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

The prices of HRC in the PRC have continued to rise since January 2007, after the seasonal decline during the winter months in 4Q2006, in line with continuing demand.

The Group commissioned its second HRC production line at Delong Steel on 15 December 2006, which raised annual HRC capacity by 50% to 2.4 million tonnes for FY2007. Subsequent to the commissioning of the second line the Group undertook and completed major maintenance works on its first line in March 2007. As a result, the utilisation rate in 1Q2007 of the first line was 67% (compared to 100% previously) and that of the second line – which produces higher-grade HRC commanding better prices – was 82%. The overall utilisation rates of the two lines averaged 75% in 1Q2007.

Utilisation rate for both lines are expected to approximate full capacity by 2Q2007.

The combination of higher sales volume and significantly higher selling prices contributed to a 32.2% increase in revenue to S\$272.5 million in 1Q2007 compared to S\$206.1 million in 1Q2006, a quarter when prices were at an exceptional low, in turn lifting net profit after tax by 131.3% to S\$34.6 million from S\$14.9 million. Both revenue and net profit in 1Q2007 were better than that in 4Q2006.

The Group expects its revenue and operating profit in 2Q2007 to be significantly higher compared to 2Q2006 and 1Q2007. Operating margin in 2Q2007 is also expected to remain stable compared to 1Q2007.

The Group is embarking on Phase 3 of its technological enhancements to increase its HRC production capacity in Delong Steel by another 25% to 3.0 million tonnes by 4Q2007.

The Group continues to be on the lookout for merger and acquisition opportunities as a result of the ongoing consolidation of the steel industry in the PRC.

**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 1.5 cents per ordinary share for the financial year ended 31 December 2006, totaling S\$79.6 million, was approved at the Annual General Meeting on 19 April 2006. The approved dividend is to be paid in two tranches. The book closure dates and dividend payable dates are as follows:-

	Dividend per share	Book Closure Date	Date payable
First payment	0.60 cent	26 April 2007	15 May 2007
Second payment	0.90 cent	To be announced in 2H2007	

**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 2007.

**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