德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2008

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.**

		The Group		
		1st Quarter Ended		Increase
		31/03/2008	31/03/2007	(Decrease)
	Note	S$'000	S$'000	%
Sales		559,123	272,488	105.2
Cost of sales		(522,261)	(221,954)	135.3
Gross Profit		**36,862**	**50,534**	**(27.1)**
Other gains/ (losses)				
-Miscellaneous	1	1,565	924	69.4
Expenses				
-Distribution and marketing		(1,710)	(1,358)	25.9
-Administrative		(9,372)	(6,223)	50.6
-Finance		(15,019)	(3,141)	378.2
Profit before tax	2	12,326	40,736	(69.7)
Income tax expense	3	(3,138)	(6,140)	(48.9)
Profit after tax		**9,188**	**34,596**	**(73.4)**

n.m: Not meaningful

Notes:-

1 Other miscellaneous gains:

	The Group	
	1st Quarter Ended	
	31/03/2008	31/03/2007
	S$'000	S$'000
Sale of scrap materials	208	223
Interest income	4,621	186
Rental income from investment property	99	99
Currency translation (loss) / gain	(3,389)	186
Others	26	230
	1,565	924

2. Profit before taxation includes the following items:-

	The Group	
	1st Quarter Ended	
	31/03/2008	31/03/2007
	S$'000	S$'000
Depreciation and amortization	13,247	11,712
Staff costs	7,988	3,462
Operating lease rental	79	98

3. Income Tax Expense

This is related to PRC enterprise income tax at a concessionary rate of 15% for Delong Steel Limited ("Delong Steel").

Delong Steel is a wholly foreign-owned enterprise ("WFOE") established under the laws of the People's Republic of China ("PRC"), is entitled to 50% tax reduction from PRC enterprise income tax of 30% for three years effective 1 January 2007

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

	Note	The Group S$'000 As at 31/03/2008	The Group S$'000 As at 31/12/2007	The Company S$'000 As at 31/03/2008	The Company S$'000 As at 31/12/2007
Current Assets					
Cash and cash equivalents		146,062	196,594	110,680	162,544
Bank balances pledged		82,974	33,922	-	-
Financial assets, held for trading	1	2,341	4,750	2,341	4,750
Trade and other receivables		142,399	83,574	41,297	42,574
Inventories		242,791	241,214	-	-
		616,567	560,054	154,318	209,868
Non-current assets					
Other receivables		-	-	182,098	130,217
Investments in subsidiaries		-	-	372,272	376,044
Financial assets, available-for-sale	2	13,913	13,917	11,923	11,923
Investment property		3,245	3,262	-	-
Property, plant and equipment		702,323	686,747	61	66
		719,481	703,926	566,354	518,250
Total assets		1,336,048	1,263,980	720,672	728,118
Current liabilities					
Trade and other payables		358,088	324,571	3,095	3,357
Notes payables		81,770	42,494	-	-
Borrowings		148,768	161,008	2	2
Provision for current tax		10,772	11,127	93	94
		599,398	539,200	3,190	3,453
Non-current liabilities					
Borrowings		81,689	82,143	7	8
Convertible bonds	3	263,189	258,454	263,189	258,454
		344,878	340,597	263,196	258,462
CAPITAL AND RESERVE					
Share capital		69,529	69,520	406,173	406,164
Reserves		322,243	314,663	48,113	60,039
Total equity		391,772	384,183	454,286	466,203
Total liabilities and equity		1,336,048	1,263,980	720,672	728,118

Notes:-

1. *This represents investment in equity securities listed in Hong Kong.*

2. *The investment represents 12,000,000 quoted shares and 28,000,000 unquoted options in Cape Lambert Iron Ore Limited("CFE"), a company listed on the Australia Stock Exchange, and a 10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd.*

3 *The Convertible Bonds represent the zero coupon convertible bonds of RMB1,532,000,000 due 8 June 2012 issued on 8 June 2007. The Convertible Bonds are convertible at the option of the holders, at any time from 19 July 2007 to June 1, 2012, into new ordinary shares of the Company at a conversion price of S$4.455 (using a fixed exchange rate of S$1.00 to RMB 5.02). 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.*

As at 31 March 2008, the Company had utilised the proceeds from the Convertible Bonds in the following manner:-

(i) *Investment in CFE* — *S$11.9 million;*
(ii) *Investment in subsidiaries* — *S$167.6 million; and*
(iii) *The balance of the proceeds has been placed with financial institutions or invested in marketable equities.*

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 31/03/2008		As at 31/12/2007	
Secured	Unsecured*	Secured	Unsecured*
S$'000	S$'000	S$'000	S$'000
90,951	57,817	95,274	65,734

Amount repayable after one year

As at 31/03/2008		As at 31/12/2007	
Secured	Unsecured*	Secured	Unsecured*
S$'000	S$'000	S$'000	S$'000
49,400	32,289	77,902	4,241

Details of any collateral

The Group's borrowings are secured by the following:

(i) Certain property, plant and equipment and investment property of the Group.

* Borrowings amounting to S$74,793,764 (31 December 2007:S$64,368,606) 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 1st Quarter Ended 31/03/2008 S$'000	The Group 1st Quarter Ended 31/03/2007 S$'000
Cash flows from operating activities:		
Profit after income tax	9,188	34,596
Adjustments for:		
Depreciation	13,247	11,712
Loss on disposal of property, plant and equipment	114	31
Gain on disposal of a subsidiary	-	(66)
Interest income	(4,621)	(186)
Interest expense	15,019	3,141
Income tax expense	3,138	6,140
Unrealised translation loss	2,569	-
	29,466	20,772
Operating cash flow before working capital changes	38,654	55,368
Bank balances pledged	(49,052)	6,906
Receivables	(58,824)	(30,106)
Inventories	(1,577)	(6,398)
Payables	72,794	(3,372)
	(36,659)	(32,970)
Cash generated from operating activities	1,995	22,398
Income tax paid	(3,493)	(51)
Currency translation differences	-	(1,262)
	(3,493)	(1,313)
Net cash (used in)/ generated from operating activities	(1,498)	21,085
Cash flows from investing activities:		
Payments for property, plant and equipment	(30,685)	(20,711)
Interest received	4,621	186
Net cash flow on disposal of a subsidiary	-	(646)
Net cash used in investing activities	(26,064)	(21,171)
Cash flows from financing activities:		
Proceeds from borrowings	105,407	69,619
Repayment of borrowings	(118,102)	(61,564)
Proceeds from warrants conversion	9	906
Interest paid	(10,284)	(3,141)
Net cash (used in)/ generated from financing activities	(22,970)	5,820
Net (decrease)/ increase in cash and cash equivalents	(50,532)	5,734
Cash and cash equivalents at beginning of the period	196,594	37,274
Cash and cash equivalents at end of the period	146,062	43,008

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	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 January 2008	69,520	-	49,660	(5,545)	28,544	242,004	384,183
Issue of shares pursuant to exercise of warrants	9	-	-	-	-	-	9
Currency translation differences	-	-		(1,608)	-	-	(1,608)
Net profit for the period	-	-	-	-	-	9,188	9,188
Balance as at 31 March 2008	69,529	-	49,660	(7,153)	28,544	251,192	391,772

The Group

	Share capital	Share premium	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 January 2007	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
Balance as at 31 March 2007	68,310	-	-	(8,712)	28,544	263,060	351,202

The Company

	Share capital S$'000	Share premium S$'000	Capital reserve S$'000	Retained earnings S$'000	Translation reserve S$'000	Total S$'000
Balance as at 1 January 2008	406,164	-	49,660	7,193	3,186	466,203
Issue of shares pursuant to exercise of warrants	9	-	-	-	-	9
Currency translation differences	-	-	-	-	(3,810)	(3,810)
Net loss for the period	-	-	-	(8,116)	-	(8,116)
Balance as at 31 March 2008	406,173	-	49,660	(923)	(624)	454,286

The Company

	Share capital S$'000	Share premium S$'000	Capital reserve S$'000	Retained earnings S$'000	Translation reserve S$'000	Total S$'000
Balance as at 1 January 2007	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)
Balance as at 31 March 2007	404,954	-	-	64,605	(939)	468,620

Notes

* The Company issued 17,750 ordinary shares pursuant to the exercise of warrants for the period ended 31 March 2008 ("1Q2008").

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

Changes in the Share Capital of the Company for 1st Quarter Ended	31/03/2008	31/03/2007
Number of ordinary shares at 1 January	534,992,301*	5,307,591,250
Shares arising from exercise of warrants	17,750	18,114,750
Number of ordinary shares at 31 March	535,010,051	5,325,706,000

Outstanding Warrants as at	31/03/2008	31/03/2007
Outstanding warrants that are convertible into ordinary shares	564,928	30,043,985

Notes:
*The Company consolidated its 10 existing ordinary shares into 1 new share on 17 May 2007.

The Company issued 17,750 ordinary shares pursuant to the exercise of warrants in 1Q2008.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceeding year.

Not Applicable

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable

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

The figures have not been 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 2007.

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	
	31/03/2008	31/03/2007
	S$'000	S$'000
Net profit for the period	9,188	34,596
Basic earnings per share (in cents)	1.7	6.5
Diluted earnings per share (in cents)	1.7	6.5
Weighted average no. of shares outstanding for basic earnings per share	535,007,463	531,361,244
Weighted average no. of shares outstanding for diluted earnings per share	535,562,572	533,570,534

The Company consolidated 10 existing ordinary shares into 1 new share on 17 May 2007. For comparative purposes, the weighted average number of shares outstanding for basic and diluted earnings per share for 1Q2007 have been adjusted for them to be stated on the comparable basis.

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 the total number of shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	The Group		The Company	
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
Net Asset Value per share (cents)	73.2	71.8	84.9	87.1

Net asset value per share for the Group and Company is calculated based on 535,010,051 ordinary shares in issue at the end of the financial period under review and 534,992,301 ordinary shares in issue at the end of the immediate preceding financial year ended 31 December 2007.

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

(a) <u>Review of income statement of the Group</u>

<u>1Q2008 vs 1Q2007</u>

Revenue

Revenue increased by S$286.6 million or 105.2% from S$272.5 million in 1Q2007 to S$559.1 million in 1Q2008. The increase in revenue was principally attributed to the increase in the sales volume after the production capacity expansion, a significant increase in the average selling prices and change in product mix during the period under review as compared with the previous corresponding period.

In 1Q2008 the Group sold 681,000 tonnes of Hot Rolled Coils ("HRC") and 6,840 tonnes of steel billets as compared to 452,000 tonnes of HRC and 7,000 tonnes of steel billets in 1Q2007. Overall sales quantity increased by 228,840 tonnes or 49.9%.

Cost of sales

Cost of sales increased by S$300.3 million or 135.3% from S$222.0 million in 1Q2007 to S$522.3 million in 1Q2008. The increase was also due to the significant increase in prices of raw materials in 1Q2008 compared to the previous corresponding period.

Gross profit

Gross profit decreased by S$13.6 million or 27.1% from S$50.5 million in 1Q2007 to S$36.9 million in 1Q2008.

Gross profit margin decreased from 18.5% in 1Q2007 to 6.6% in 1Q2008 primarily due to the significant increase in prices of raw materials which significantly outpaced the rise in product selling prices.

Distribution and marketing expenses

Distribution and marketing expenses increased by S$0.3 million or 25.9% from S$1.4 million in 1Q2007 to S$1.7 million in 1Q2008 which were in line with the increase in revenue.

Administrative expenses

Administrative expenses increased by S$3.2 million or 50.6% from S$6.2 million in 1Q2007 to S$9.4 million in 1Q2008. The increase was due to increase in staff costs as a result of the increase in headcount and salary increments.

Finance expenses

Finance expenses increased by S$11.9 million or 378.2% from S$3.1 million in 1Q2007 to S$15.0 million in 1Q2008. This was due to increase in bank borrowings and higher interest rates. The increase was also due to the interest expense of S$4.3 million accrued on the Convertible Bonds issued on 8 June 2007 which are due on 8 June, 2012.

Net profit

Net profit after tax decreased by S$25.4 million or 73.4% from S$34.6 million in 1Q2007 to S$9.2 million in 1Q2008, representing a net profit margin of 12.7% in 1Q2007 and 1.6% in 1Q2008.

The lower net profit margin in 1Q2008 was primarily attributable to the lower operating profit margin.

(b) Review of balance sheet of the Group as at 31 March 2008

Current assets

Current assets increased by S$56.5 million or 10.1% from S$560.1 million as at 31 December 2007 to S$616.6 million as at 31 March 2008. The increase was primarily attributable to the increase in bank balances pledged for the issuance of note payable and trade and other receivables which were in line with the increase in revenue during the period under review.

As at 31 March 2008, of the S$142.4 million of the Group's "trade and other receivables", approximately S$89.3 million or 62.7% comprised notes receivables from customers and pre-payments to vendors and approximately S$0.2 million trade receivables.

Current liabilities

Current liabilities increased by S$60.2 million or 11.2% from S$539.2 million as at 31 December 2007 to S$599.4 million as at 31 March 2008. The increase was primarily attributable to the increase in trade and notes payable which were in line with the increase in trade activities during the period under review.

Non- current assets

Property, plant and equipment increased by S$15.6 million from S$686.7 million as at 31 December 2007 to S$702.3 million as at 31 March 2008. The increase was primarily due to construction in progress in relation to a new mill roll plant at Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll"), a subsidiary incorporated in June 2007. Xingtai Delong Mill Roll will be engaged in the design, development, manufacturing and sale of large-diameter steel mill rollers and large-cast steel articles, which are specifically designed, prepared and applied to be an integrated component used in the Company's HRC production line as well as for sale to third parties.

(c) Review of cash flow statement of the Group

1Q2008 vs 1Q2007

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by S$16.7 million or 30.2% from S$55.4 million in 1Q2007 to S$38.7 million in 1Q2008. The decrease was primarily due to the decrease in operating profit. Cash used for working capital was S$36.7 million in 1Q2008, attributable mainly to the increase in bank balances pledged for the issuance of note payable and trade and other receivables, which were in line with the increase in revenue during the period under review. The cash used for working capital was partially offset by the increase in payables.

After taking into consideration cash used for working capital and income tax paid of S$3.5 million, the net cash outflow from operating activities was S$1.5 million in 1Q2008.

Net Cash Used In Investing Activities

Net cash used in investing activities was S$26.1 million in 1Q2008. This comprised principally payment for construction in progress in relation to the technical enhancement programmes at Delong Steel which was completed in mid-December 2007 and new roll plant at Xingtai Delong Mill Roll.

Net Cash Used in Financing Activities

Net cash outflow from financing activities was S$23.0 million in 1Q2008 mainly due to the repayments of principal and interest for bank borrowings. The net cash used in financing activities was partially offset by the drawdown of short-term loans.

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

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

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

Delong's revenue in 1Q2008 grew significantly, driven by strong sales demand for the Group's products in the PRC and increase in integrated production capacity to 3.0 million tonnes following the completion of the Group's third phase of technological enhancements in end FY2007.

In 1Q2008, the Group's total production volume reached approximately 688,000 tonnes. While a tighter global supply situation of coke and iron ore continue to raise raw material costs, average selling prices ("ASP") of Hot-Rolled Coil ("HRC") have begun to mirror the growth in raw material prices from March 2008.

To mitigate the volatility in supply and rising price of iron ore, the Group has initiated various measures to reduce margin pressures: -

Long-Term Supply Contracts

In FY2007, the Group secured two long-term contracts with global iron ore suppliers to import approximately 2.05 million tonnes of iron ore annually. Aimed at mitigating the rise in raw material costs and to provide the Group with additional cost savings; prices for these contracts will be marked to rates negotiated between the PRC steel industry represented by Baosteel Group and the key global mining companies. The Group expects its long-term supply contracts to commence in 3Q2008.

Capacity Expansion

In 4Q2007, the Group successfully completed the construction of its No. 6 and No.7 Blast Furnaces in its Xingtai production plant – raising fully-integrated HRC production capacity to 3.0 million tonnes from 2.4 million tonnes previously. Due to earlier constraints from the production capacity of its older blast furnaces, the Group had to purchase pig and molten iron at spot prices in the market to match its production needs. With the commencement of production of the two new blast furnaces in 4Q2007, the Group is self-sufficient in the production pig and molten iron and will benefit from the cost savings that will arise from the integrated production.

Supply of Iron ore from Evraz

On 18 February 2008, the Group announced that Evraz Group S.A. ("Evraz") – Russia's second largest steelmaker – will acquire from existing majority shareholder Best Decade Holdings an initial 10.01% stake in Delong which will be further raised to 51% upon obtaining the necessary approvals from the PRC regulatory authorities.

Subsequent to the announcement, Evraz had on 23 Mar 2008 announced the signing of a lock-up agreement and irrevocable undertaking with Delong. Under the terms of the agreement, Evraz has contracted to supply Delong with at least 1 million tonnes of iron ore in 2008 and at least 2 million tonnes of iron ore to Delong from 2009.

Utilization of Convertible Bonds Proceeds

The Group has begun to utilize funds raised in June 2007 from the convertible bond issue to fund various expansion initiatives which includes: 1) Construction of a Coal Gas Recycling Power Generation Unit, 2) Capital injection into the High-end Rolling Mill and 3) Investment in its subsidiary DL Resources (Australia) Pty Ltd. The balance of the funds raised from the convertible bond issue will be used to meet the Group's future working capital requirements.

Future Developments

The outlook for the PRC Steel market continues to remain positive underpinned by strong economical growth and strong demand for HRC within China. Backed by sustained demand due to the rapid economic growth, the Group anticipates domestic selling prices of HRC to continue rising in 2Q2008.

In December 2007, the first phase of the Group's high-end roller mill with a capacity of 35,000 tonnes per annum, rolled out its first batch of trial products. The Group is expected to secure additional sales contracts for its high-end rollers and for delivery in 2Q2008. Targeting domestic and international large steel manufacturers, the high-end rollers are used in the coil-making process and the mill is expected to contribute positively to the Group's financial performance from FY2008.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

However, the first and final 1-tier tax-exempt dividend of 4.15 cents per ordinary share for the financial year ended 31 December 2007 amounted to S$22.2 million was approved at Company's Annual General Meeting held on 8 April 2008 and was paid on 23 April 2008.

(C) Date payable and Book Closure Date

N.A.

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

The Board of Directors of the Company does not recommend that a dividend be paid for the first quarter 31 March 2008.

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 Liguo
Executive Chairman