



**德龙控股**

DELONG HOLDINGS

1H2007 Results (2Q2007)



# 1H2007 FINANCIAL HIGHLIGHTS



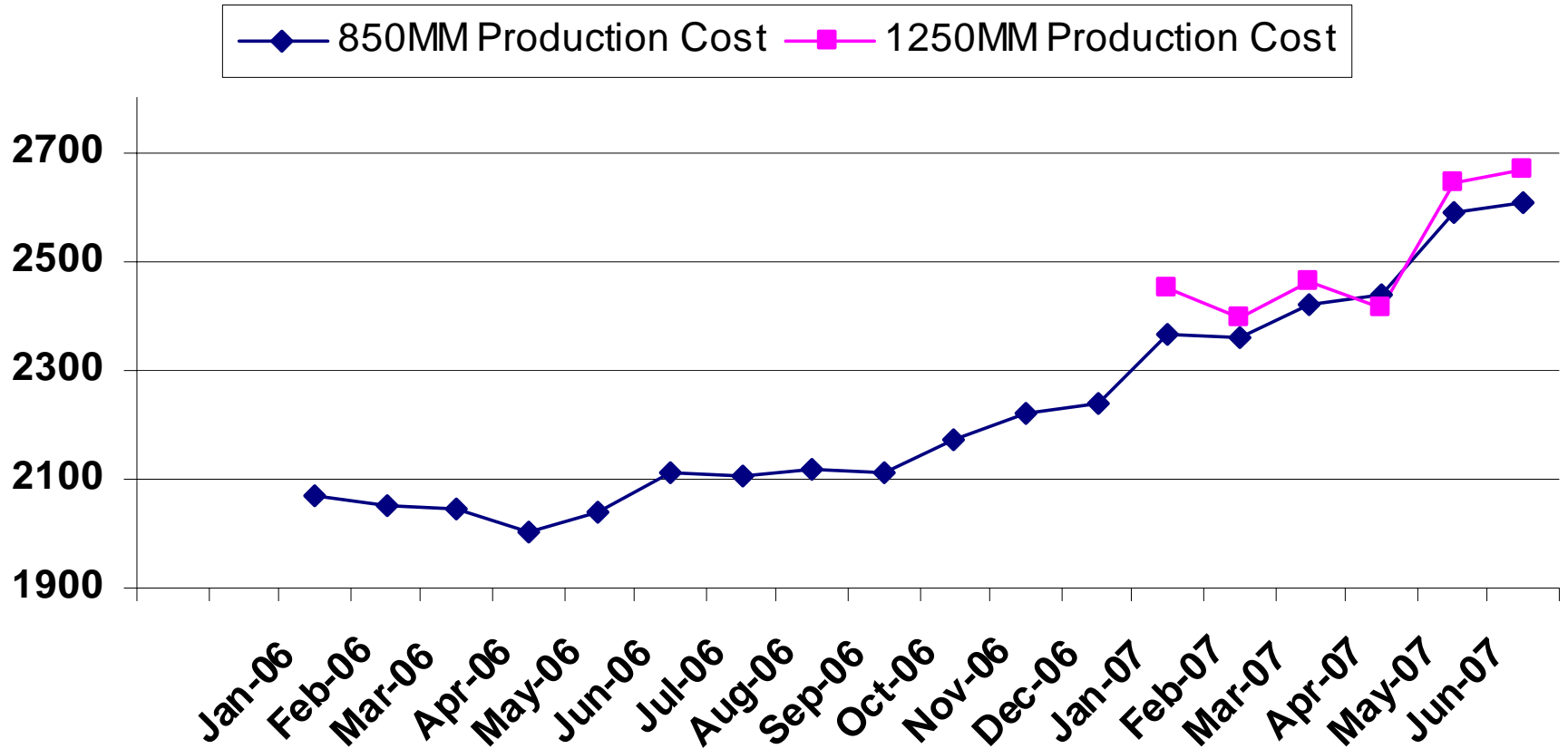
# 1H2007 Highlights

| <b>SGD (mil)</b>               | <b>2Q2007</b> | <b>2Q2006</b> | <b>Change (%)</b> | <b>1H2007</b> | <b>1H2006</b> | <b>Change (%)</b> |
|--------------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|
| <b>Revenue</b>                 | <b>373.7</b>  | <b>265.8</b>  | <b>40.6</b>       | <b>646.2</b>  | <b>471.9</b>  | <b>36.9</b>       |
| <b>Gross Profit</b>            | <b>60.9</b>   | <b>56.8</b>   | <b>7.2</b>        | <b>111.5</b>  | <b>76.6</b>   | <b>45.4</b>       |
| <b>Net Profit</b>              | <b>42.4</b>   | <b>46.1</b>   | <b>(8.1)</b>      | <b>77.0</b>   | <b>61.1</b>   | <b>26.1</b>       |
| <b>Gross Profit Margin (%)</b> | <b>16.3</b>   | <b>21.4</b>   | <b>-</b>          | <b>17.2</b>   | <b>16.2</b>   | <b>-</b>          |
| <b>Net Profit Margin (%)</b>   | <b>11.3</b>   | <b>17.3</b>   | <b>-</b>          | <b>11.9</b>   | <b>12.9</b>   | <b>-</b>          |

- ✓ 1H2007 Revenue 36.9% higher at S\$646.2 million on increased production capacity from new HRC line
- ✓ Net profit up 26.1% to S\$77.0 million from S\$61.1 million in 1H2006
- ✓ 100% utilisation on 2.4 million tonnes integrated HRC capacity achieved in 2Q2007 vs. 75% in 1Q2007
- ✓ Operating margins impacted by higher raw material prices
- ✓ Completed 10-to-1 share consolidation in May 2007 and convertible bond issue (raised RMB 1,532 million) in June 2007

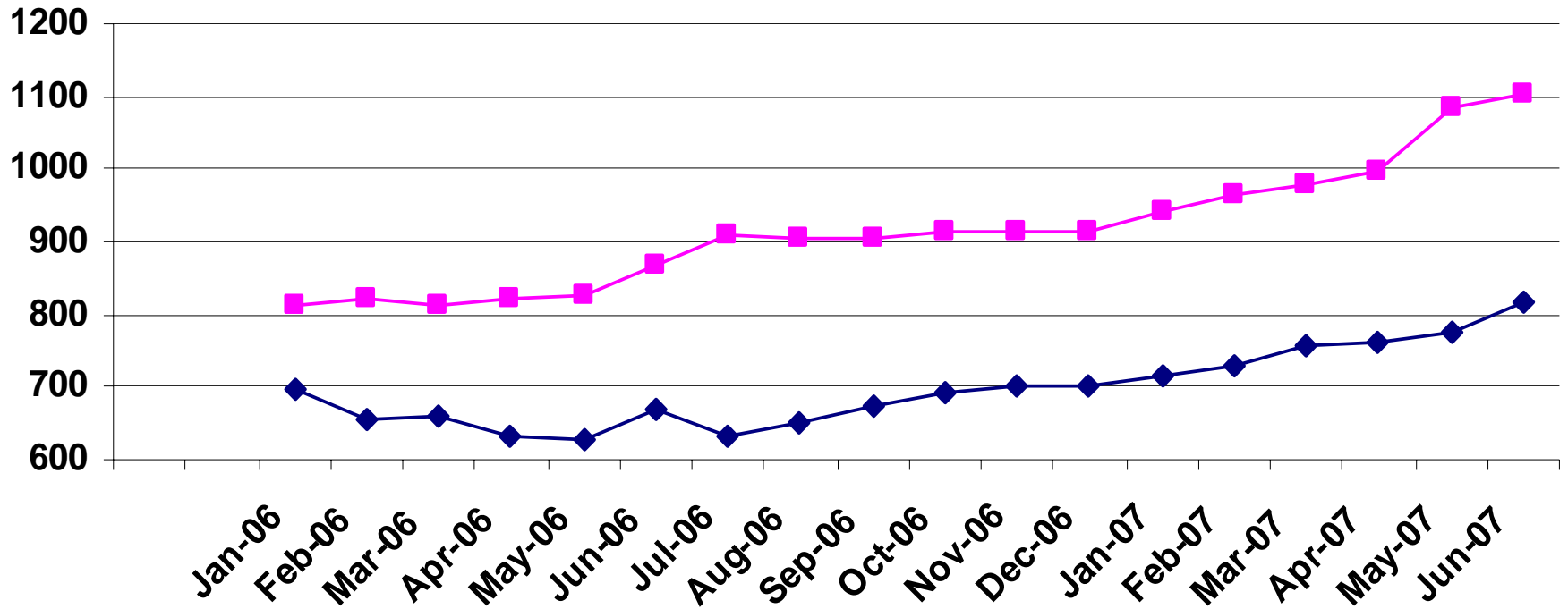
# DELONG HRC Production Cost

RMB / Tonne



# DELONG HRC Raw Material Cost

RMB / Tonne



# STRONG DEMAND

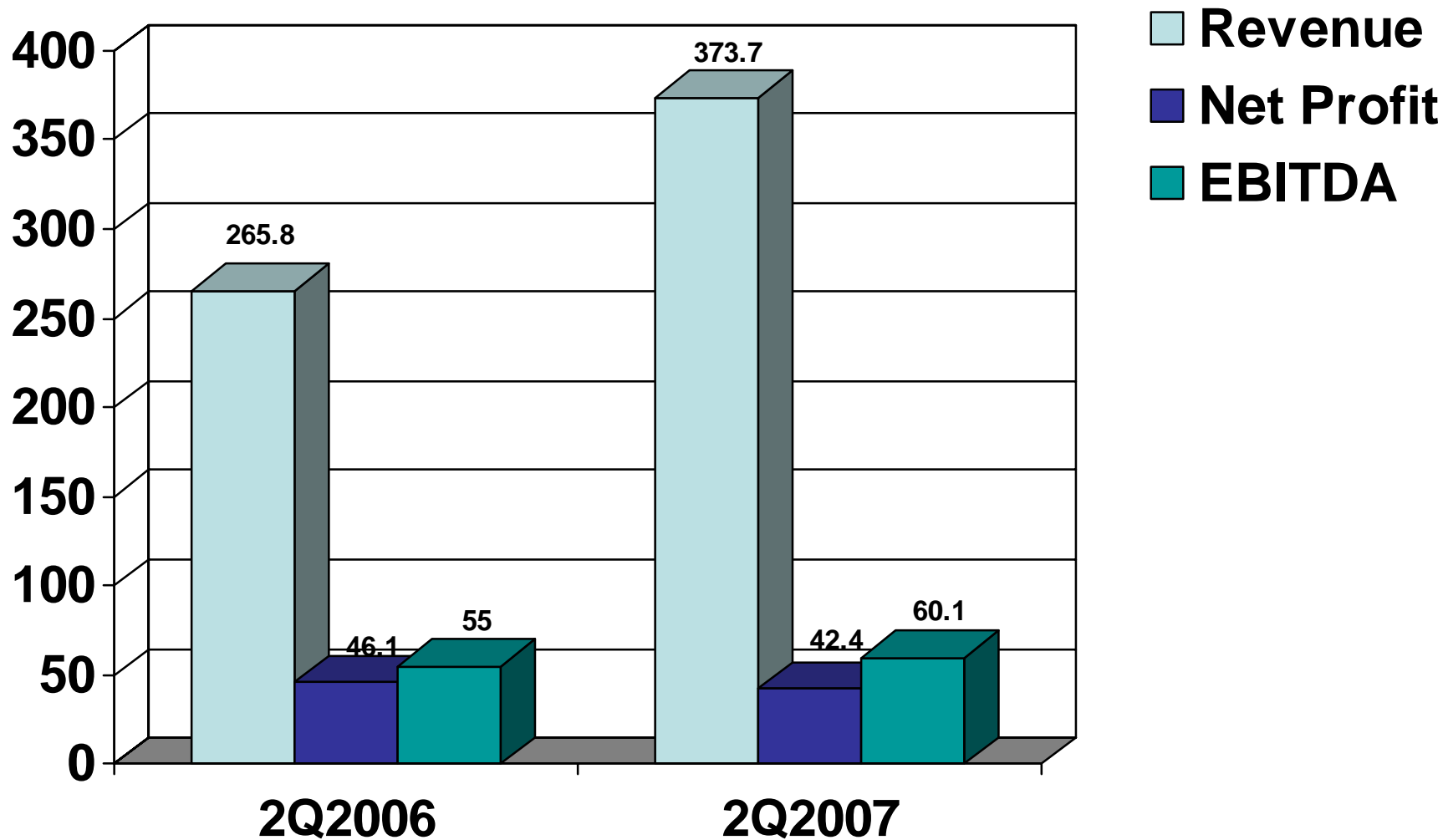
2Q2007

|                                   |   |
|-----------------------------------|---|
| <b>Plant Utilisation Rate</b>     | <b>2Q2007: 100%*</b><br><b>(1H2007: Avrg : 88%)</b> |
| <b>Product Mix</b>                | Line 1: 45%   |
|                                   | <b>Line 2: 55%</b>                                  |
| <b>Finished Goods Stock Level</b> | approximately 1 day                                 |
| <b>Trade Receivables</b>          | S\$4.8 million                                      |

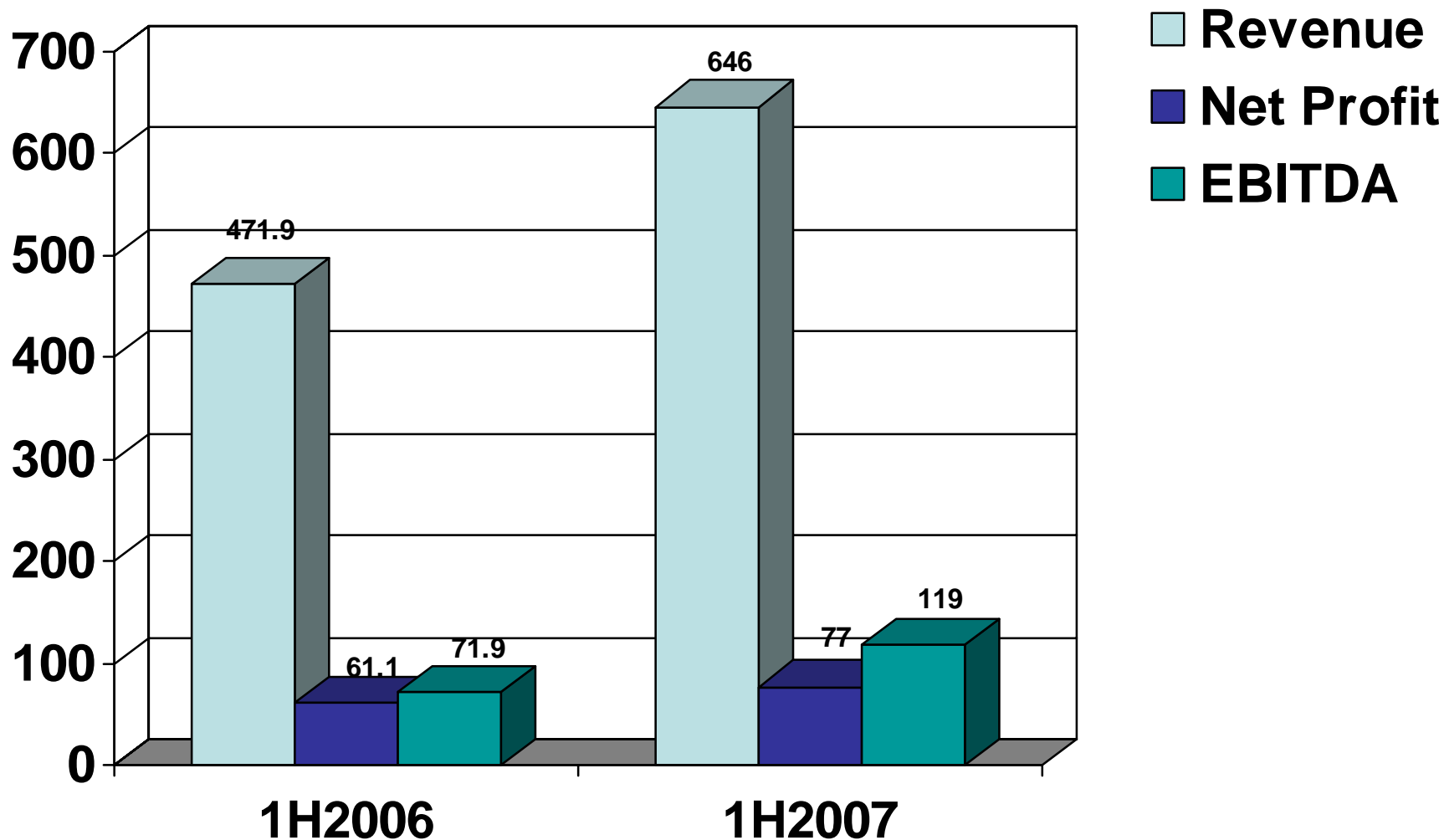
*\*Based on 2.4 million tonnes integrated capacity*

***Full capacity for 4 years till FY2006***

# 2Q2007 EARNINGS HIGHLIGHTS



# 1H2007 EARNINGS HIGHLIGHTS





# BALANCE SHEET HIGHLIGHTS

| SGD million   | As at<br>31 Dec 06 | As at<br>31 Mar 07 | As at<br>30 Jun 07 |
|---|--------------------|--------------------|--------------------|
| <b>Current Assets</b>   | <b>225.0</b>       | <b>261.1</b>       | <b>531.9</b>       |
| <b>Non-Current Assets</b>                                     | <b>539.7</b>       | <b>548.6</b>       | <b>600.6</b>       |
| <b>Current Liabilities</b>                                    | <b>432.7</b>       | <b>436.0</b>       | <b>386.2</b>       |
| <b>Non-Current Liabilities</b>                                | <b>15.2</b>        | <b>23.0</b>        | <b>325.9</b>       |
| <b>Total Equity</b>   | <b>316.8</b>       | <b>351.2</b>       | <b>420.4</b>       |
| <b>NTA (S cents) <small>after share consolidation</small></b> | <b>59.7</b>        | <b>65.9</b>        | <b>78.6</b>        |
| <b>Gearing Ratio (X)</b>                                      | <b>0.57</b>        | <b>0.53</b>        | <b>0.45</b>        |
| <b>ROE (%)</b>  | <b>41.4</b>        | <b>-</b>           | <b>-</b>           |

# CASHFLOW HIGHLIGHTS

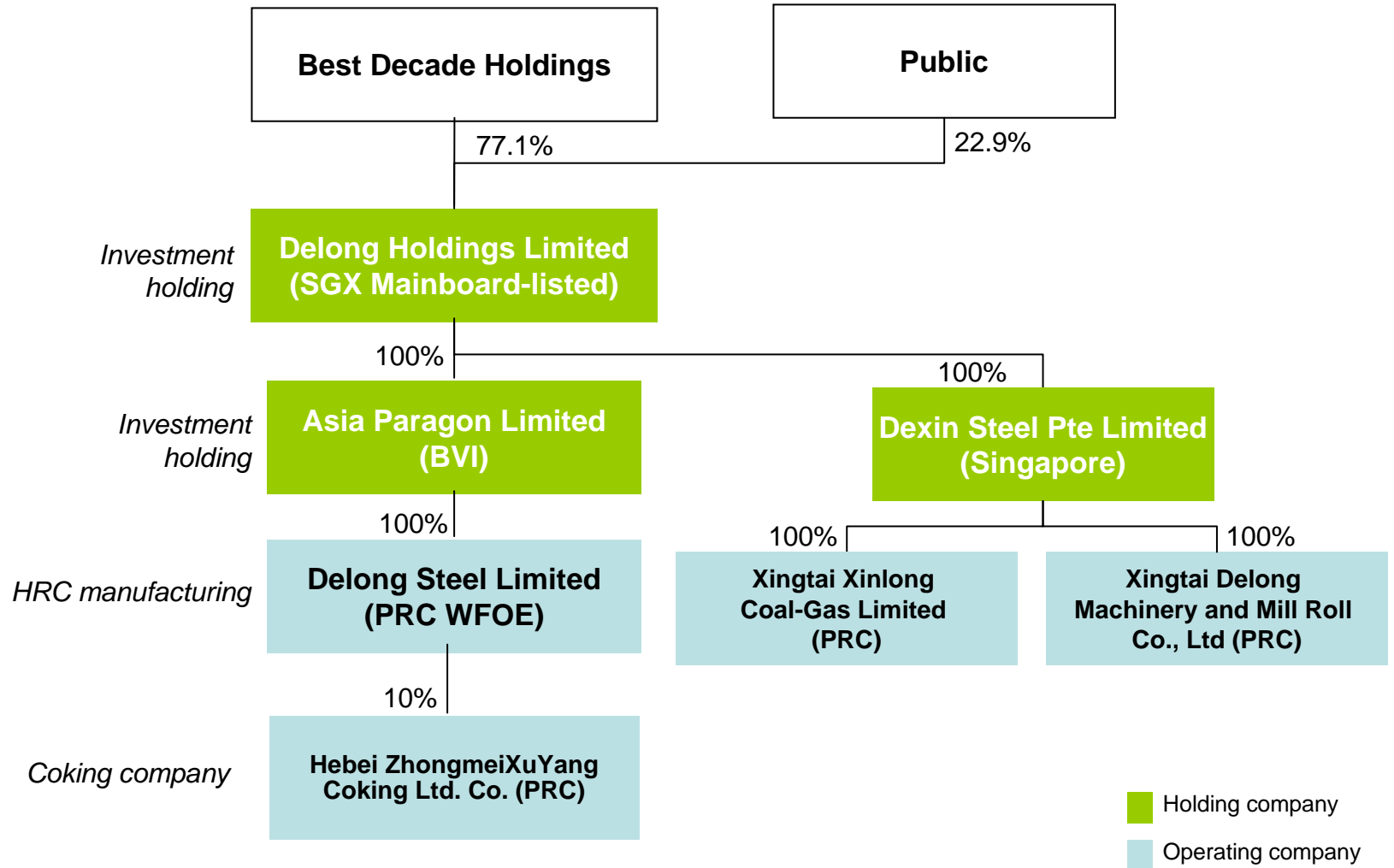
| <b>SGD million</b>     | <b>Dec 06</b> | <b>Mar 07</b> | <b>Jun 07</b> |
|------------------------|---------------|---------------|---------------|
| <b>Operating</b>       | 175.9         | 21.1          | 116.5         |
| <b>Investing</b>       | (189.2)       | (21.2)        | (85.0)        |
| <b>Financing</b>       | 35.3          | 5.8           | 267.0         |
| <b>Net Cash Inflow</b> | 22.0          | 5.7           | 298.5         |
| <b>Ending Cash</b>     | 37.3          | 43.0          | 335.8         |



# **BUSINESS OVERVIEW**

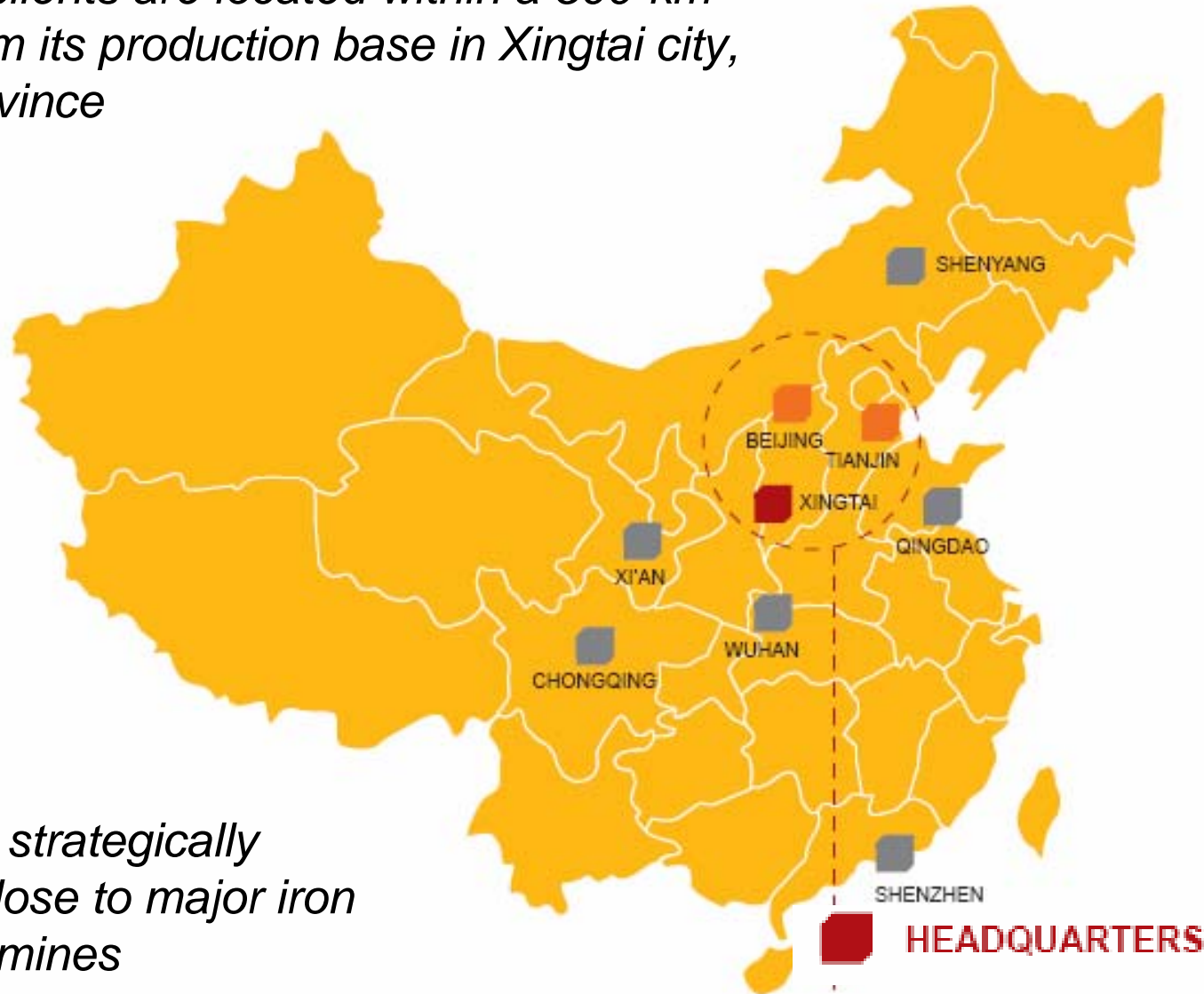


# CORPORATE STRUCTURE



# STRATEGIC PLANT LOCATION

*Delong's clients are located within a 500-km radius from its production base in Xingtai city, Hebei province*



*Xingtai is strategically located close to major iron and coal mines*

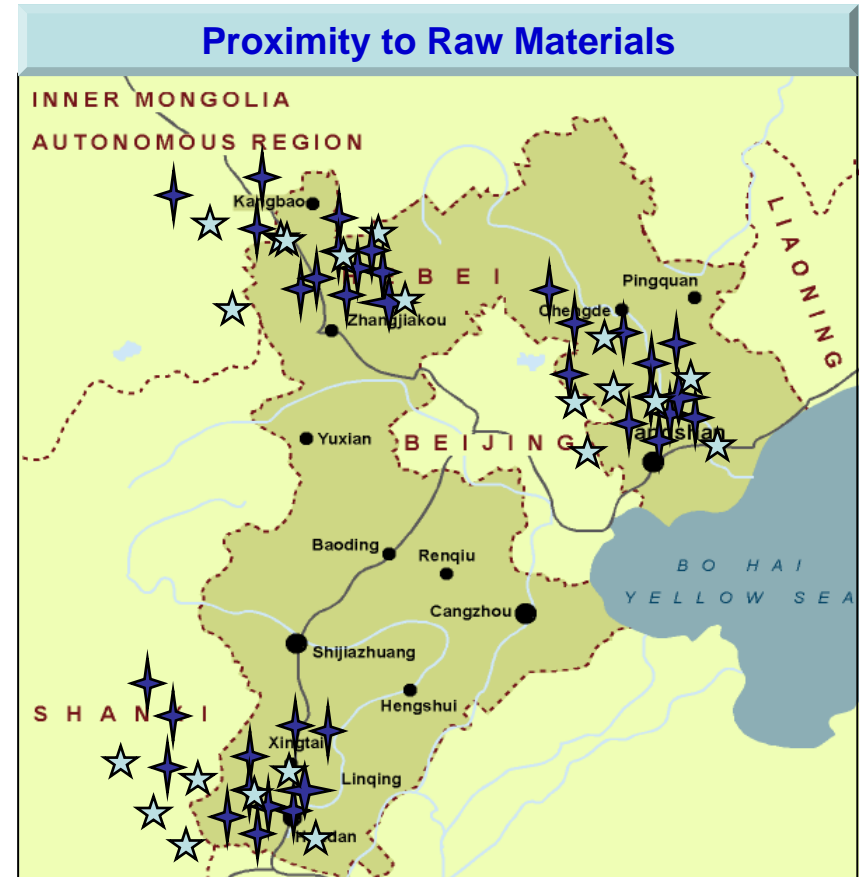
# STRATEGIC PLANT LOCATION

## CLOSE PROXIMITY TO RAW MATERIALS

- Iron ore, coal, coke and limestone are basic raw materials and account for substantial portion of total cost of steel production
- Plant location in Hebei provides Delong with abundant access to numerous established raw materials suppliers
- Low transportation costs

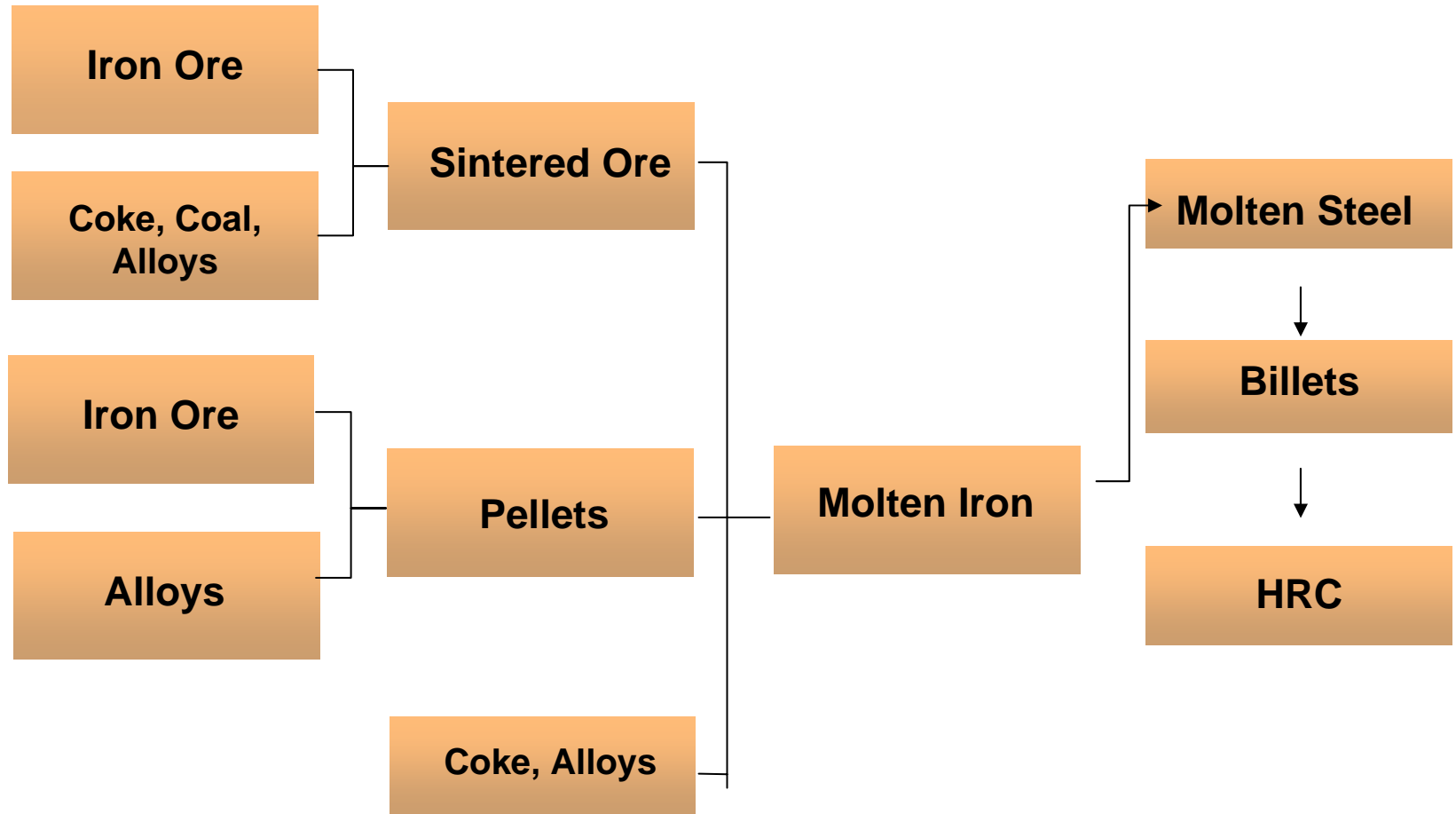
### Bohai Economic Circle: A Resource Rich Region

| Natural Resources | Province       | Rank in China |
|-------------------|----------------|---------------|
| Iron ore          | Hebei          | 2             |
| Coal              | Hebei          | 6             |
| Coal              | Shanxi         | 1             |
| Coal              | Inner Mongolia | 2             |
| Limestone         | Hebei          | 5             |



- ★ Coal
- ★ Iron Ore

# STEEL PRODUCTION PROCESS



# STEEL PRODUCTION PROCESS



**Sintering Plant**



**Blast Furnace**



**Converter Furnace**



# PRODUCTION PROCESS

## *STEEL PRODUCTION PROCESS*



**Steel billets are cast continuously from molten steel**



**Hot rolling line transforms billet into steel strip**



**Coiling of strip steel into HRC**

# KEY PRODUCTS

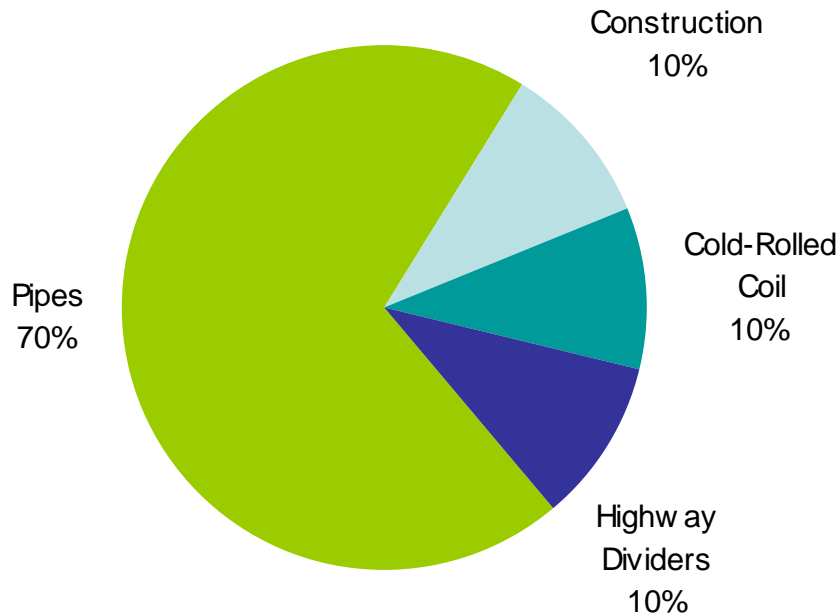


|                                |   |
|--------------------------------|---|
| <b>Product</b>                 | <b>Hot-Rolled Coils</b>                             |
| <b>Width</b>                   | <b>520 ~ 1,100 mm</b>                               |
| <b>Thickness</b>               | <b>1.8 ~ 14.0 mm</b>                                |
| <b>Steel Grade</b>             | <b>C40 ~ C70</b>                                    |
| <b>Designed Production Mix</b> | <b>850 mm line: 45%</b><br><b>1250 mm line: 55%</b> |

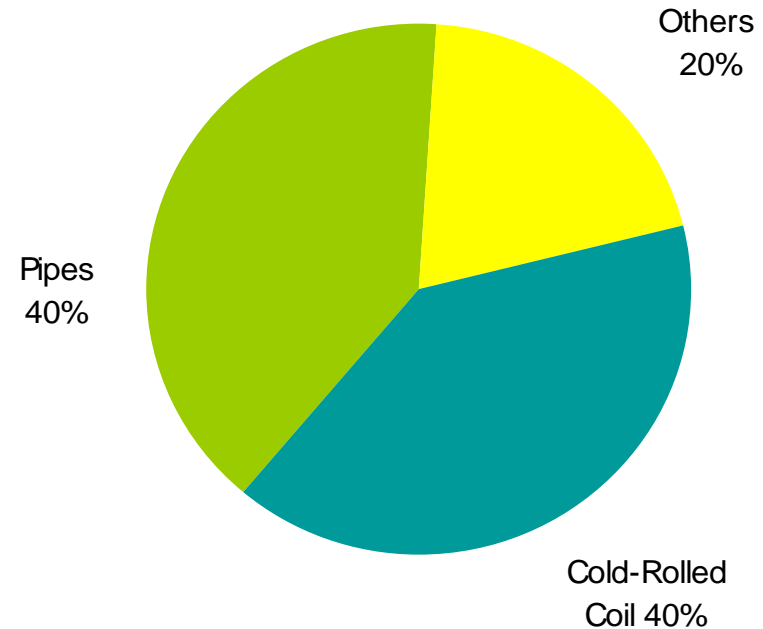
# DIVERSIFIED CUSTOMER BASE

- Direct selling to industrial end-users on long-term contracts
- Dynamic sales team and extensive marketing network

850 mm line



1250 mm line



***Leverage on geographical advantages to build strong customer relationships so as to entrench market leadership in HRC***



# COMPETITIVE ADVANTAGES OF DELONG



# COST LEADERSHIP & TOP TAXPAYER

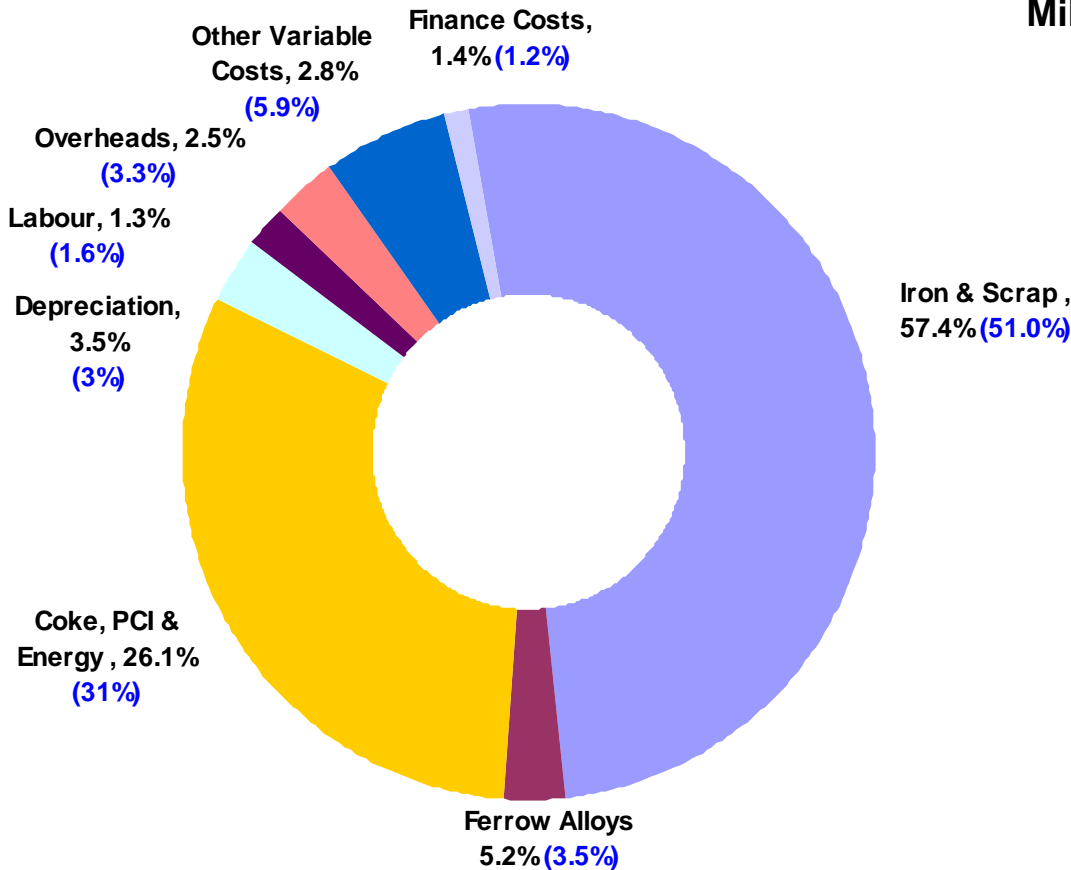
1. China's *second lowest-cost steel producer*

2. Top taxpayer in Xingtai City in 2004 – 2006

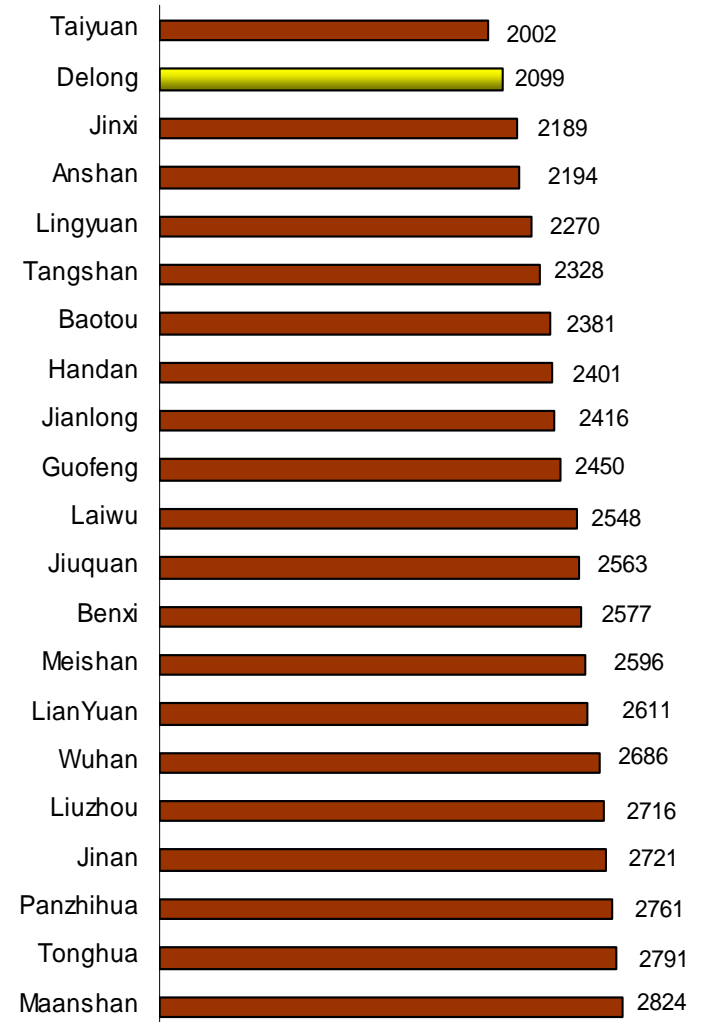
- ✓ Dynamic management team with *clear vision* and *growth track record* led by founder and executive director with strong core technical competency
- ✓ Company-wide incentive scheme
- ✓ Worker welfare standards above statutory requirements
- ✓ Total labour, overheads and depreciation costs *about 6 percentage points below national average*

# COST LEADERSHIP

## Total HRC Production Costs of Chinese Steel Mills in 2006 (RMB per tonne, excluding VAT)



**DELONG'S TOTAL COST COMPONENTS IN 1H2007**  
(1H2006)



# EXPERIENCED MANAGEMENT TEAM

- Senior managers possess 10 years or more industry experience
- 4,433 skilled workers out of which 400 are college graduates

**Ding Ligu** voted one of the Top Ten Youth in PRC for 2005  
bestowed 2005 Labour Day Award

## Senior Management

| Name                 | Age       | Position                             | Industry Experience |
|----------------------|-----------|--------------------------------------|---------------------|
| <b>Ding Ligu</b>     | <b>38</b> | <b>Executive Chairman</b>            | <b>17 years</b>     |
| <b>Guo Sanxiang</b>  | <b>53</b> | <b>CEO</b>                           | <b>26 years</b>     |
| <b>Lan Jihong</b>    | <b>39</b> | <b>CFO</b>                           | <b>17 years</b>     |
| <b>Yeo Lee Luang</b> | <b>34</b> | <b>Financial Controller</b>          | <b>10 years</b>     |
| <b>Huang Jian</b>    | <b>39</b> | <b>Marketing and Procurement Mgr</b> | <b>10 years</b>     |
| <b>Meng Xiangyun</b> | <b>50</b> | <b>Operations Manager</b>            | <b>26 years</b>     |

*Superior combination of experienced management team and high-quality workforce*

# Technical Efficiency

## Constantly moving up value chain

- Most advanced combustion usage (highest PCI\* @ 152kg/t) among Chinese steel producers
- Continuous improvement of product specifications;  
2<sup>nd</sup> HRC line capable of producing HRC of (**55%** of total Group capacity)
  - ✓ Gauge thinness of 1.8 mm
  - ✓ Width up to 1100mm
  - ✓ Higher grade (C70)



*\*Pulverised Coal Injection*



# PERFORMANCE VS INDUSTRY BENCHMARKS

## National Steel Industry Policy (July 2005):

|                                    | Coal used for producing per tonne steel (t)          |   | Water used for producing per tonne steel (t)         |                           |
|------------------------------------|--|---|--|---------------------------|
| State benchmark (by 2010)          | < 0.73   |   | < 8  |                           |
| State benchmark (by 2020)          | < 0.70   |   | < 6  |                           |
| DeLong's Usage                     | < 0.62   |   | < 3  |                           |
| EQUIPMENT                          | Sintering Plant                                      | Blast Furnace                                     | Converter  | Rolling Mill              |
| Equipment to be phased out by 2010 | Earth Sintering / Hot Sintering                      | 300m <sup>3</sup>                                 | 20 tonnes  | Narrow strip              |
| DeLong's Status (till end 2007)    | 2 x 78 m <sup>2</sup><br>1 x 132 m <sup>2</sup>      | 3 x 450 m <sup>3</sup><br>2 x 1080 m <sup>3</sup> | 2 x 80 tonnes<br>1 x 25 tonnes                       | 1 x 850 mm<br>1 x 1250 mm |
| INDUSTRY CONSOLIDATION             | By 2010  |   | By 2020  |                           |
|                                    | Top 10 Mills to Produce <b>50%</b> of National Total |   | Top 10 Mills to Produce <b>70%</b> of National Total |                           |

# Green Initiatives

**Embarked on three environmental conservation initiatives costing combined RMB386 million, completion in 4Q2007**

## **Ahead of Government's "zero-emission" policy**

- ✎ Enhancement of waste water treatment facility (RMB 8 million)
- ✎ Coal gas emissions recycling facility (RMB 227 million)
- ✎ Facility to recover iron and steel sludge for reuse as raw materials for heavy duty bricks and tiles (RMB 151 million)

**Payback periods : 3.5 years**

**Cost savings : S\$12 million a year**

## **Government grants received for "zero-emission" of waste water**

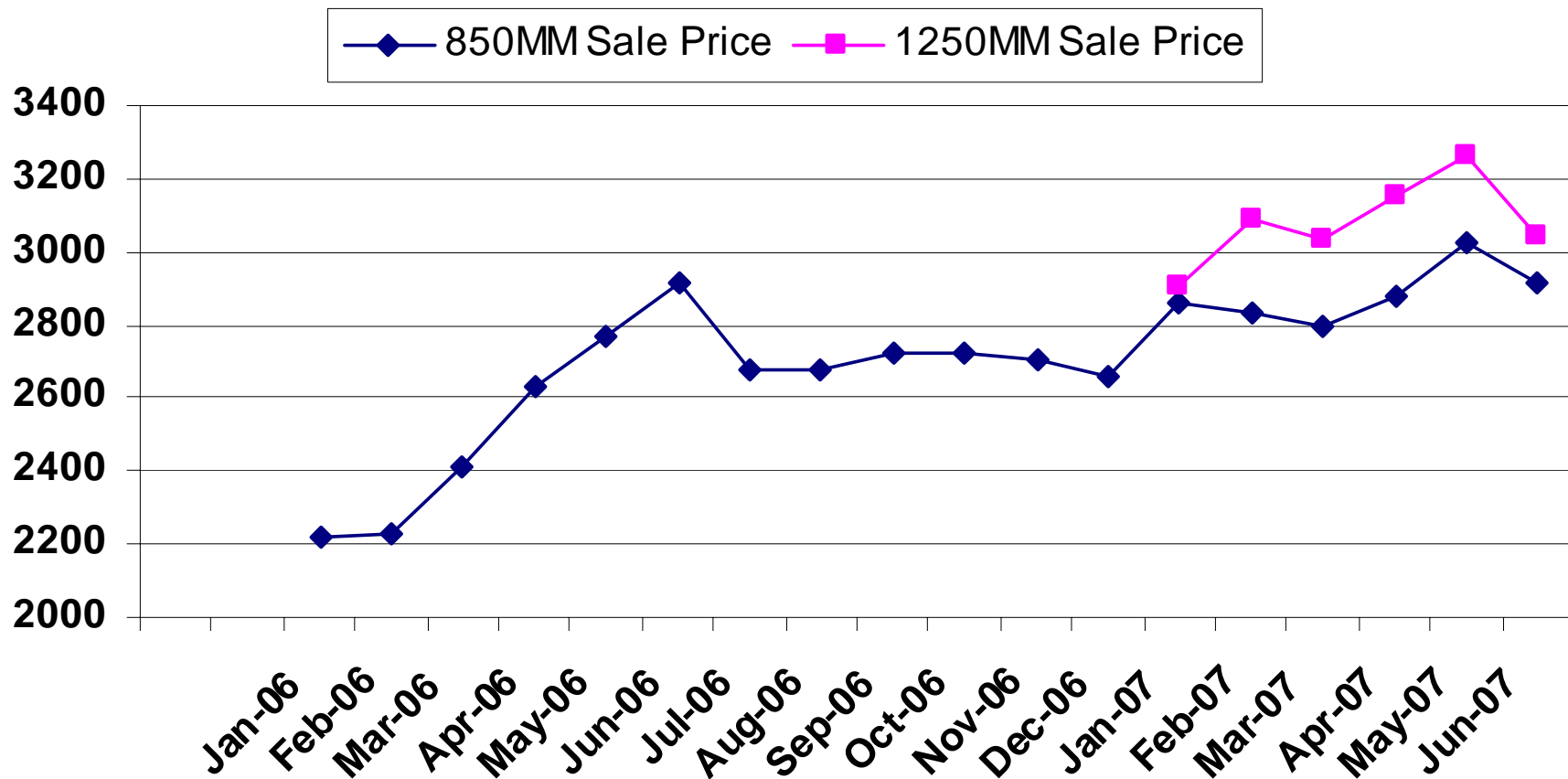
- ✎ **FY2004**      RMB 8.8 million
- ✎ **FY2005**      RMB 11.6 million
- ✎ **FY2006**      RMB 10.3 million



# OUTLOOK & STRATEGY

# DELONG HRC PRICE TREND

RMB / Tonne



# 2H2007 OUTLOOK

The background of the slide features a close-up, slightly blurred image of several large rolls of steel coils, stacked and arranged in a way that suggests a manufacturing or industrial setting. The lighting is somewhat dim, highlighting the metallic texture and the circular patterns of the coils.

- ✓ Fully integrated HRC production facility to be operational from 4Q2007, bringing annual integrated production capacity to 3.0 million tonnes
- ✓ Completion of Numbers 6 & 7 blast furnaces in July 2007 and 4Q2007 respectively to increase cost-savings
- ✓ Double-digit gross profit margins to be sustained throughout FY2007
- ✓ FY2007 earnings to exceed that of FY2006

# Convertible Bonds

- ✓ For core business expansion, strategic investments, acquisitions
- ✓ RMB1,532 million (*US\$200 million*) US\$ Settled, due 8 June 2012
- ✓ Zero Coupon Rate
- ✓ Yield-to-Put/Maturity: 3% p.a. on semi-annual basis
  - Conversion Price : S\$4.455 a share
  - Conversion Period: 19 July 2007 to 1 June 2012
- ✓ Dilution: 11.34% for US\$200 million (*Market Valuation: S\$2691 million*)
- ✓ Enlarged no. of shares, fully converted: 604 million shares
- ✓ Public float, fully converted: 31.7%

# Earnings Visibility

| <b>HRC Organic Initiatives</b>                    |             | <b>FY2005</b> | <b>FY2006</b> | <b>FY2007</b> | <b>FY2008</b> |
|---|-------------|---------------|---------------|---------------|---------------|
| <b>Designed Production Capacity (MT per year)</b> |             | 1.4           | 1.6           | 2.4           | 3.0           |
| <b>Production Mix (%)</b>                         | 850mm Line  | 100           | 100           | 43            | 43            |
|   | 1250mm Line | 0             | 0             | 57            | 57            |
| <b>Revenue (SGD mil)</b>                          |             | 861.0         | 945.3         |               |               |
| <b>Net Profit (SGD mil)</b>                       |             | 121.5         | 131.2         |               |               |
| <b>HRC NP Margin (%)</b>                          |             | 16.5          | 15.6          |               |               |
| <b>EPS (SG cents) after share consolidation</b>   |             | 23.0          | 24.6          |               |               |
| <b>M &amp; A initiatives</b>                      |             | Nil           | Nil           |               |               |
| <b>Upstream/downstream investments</b>            |             | Nil           | Nil           |               |               |



**德龙控股**

DELONG HOLDINGS

[www.dlholdings.com](http://www.dlholdings.com)

**Delong Holdings Limited**

80 Raffles Place  
#56-02 UOB Plaza I  
Singapore 048624  
Tel: (65) 6535 8208  
Fax: (65) 6535 7505

***Investor Contact***

**WeR1 Consultants Pte Ltd**

29 Scotts Road  
Singapore 228224

Tel: (65) 6737 4844

Fax: (65) 6737 4944

Lai Kwok Kin, [laikkin@wer1.net](mailto:laikkin@wer1.net)

Yim Jeng Yuh, [yimjy@wer1.net](mailto:yimjy@wer1.net)