



德龙控股
DELONG HOLDINGS

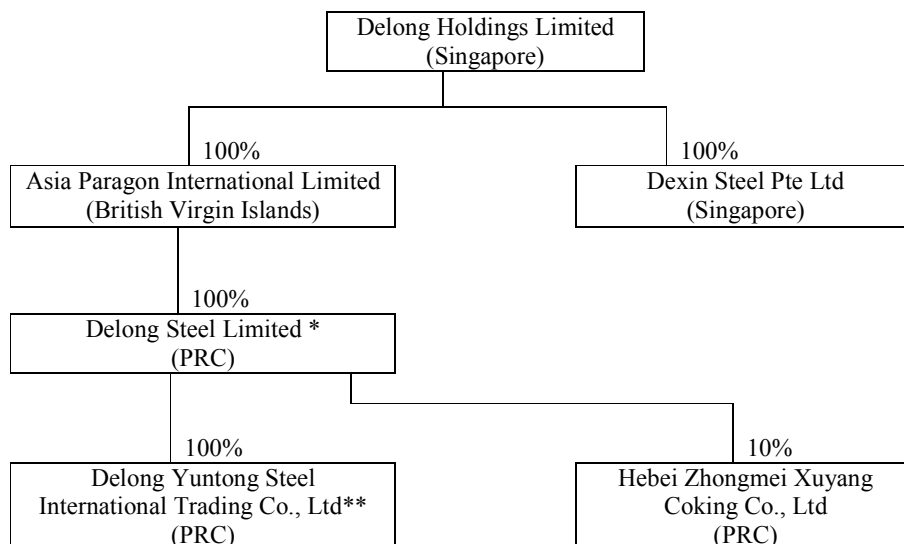
DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 for PRC enterprise income tax commencing from the first year of taxable income (i.e. FY2005).

** 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.**

		The Group					
		3 rd Quarter Ended		Increase	9 Months Ended		Increase
		30/09/2006	30/09/2005	(Decrease)	30/09/2006	30/09/2005	(Decrease)
Note		S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Sales	243,954	215,402	13.3	715,823	677,020	5.7
	Cost of sales	(200,344)	(183,607)	9.1	(595,570)	(535,554)	11.2
	Gross Profit	43,610	31,795	37.2	120,253	141,466	(15.0)
	Other gains/(losses)						
	-Miscellaneous	2,880	2,235	28.9	5,042	4,119	22.4
1							
	-Exceptional items	-	-	-	-	(12,786)	n.m.
2							
	Expenses						
	-Distribution and marketing	(1,036)	(663)	56.3	(4,371)	(3,085)	41.7
	-Administrative	(4,489)	(3,913)	14.7	(13,111)	(9,608)	36.5
	-Finance	(3,155)	(1,749)	80.4	(7,722)	(5,483)	40.8
	-Others	-	(540)	n.m	(1,256)	(851)	47.6
	Profit before tax	37,810	27,165	39.2	98,835	113,772	(13.1)
3							
	Income tax credit	(6)	-	n.m	25	-	n.m
4							
	Profit after tax	37,804	27,165	39.2	98,860	113,772	(13.1)

n.m: Not meaningful

Notes:-

1 Other miscellaneous gains:

		The Group			
		3 rd Quarter Ended		9 Months Ended	
		30/09/2006	30/09/2005	30/09/2006	30/09/2005
		S\$'000	S\$'000	S\$'000	S\$'000
	Sale of scrap materials	-	414	-	1,010
	Government grants	1,028	1,084	2,045	1,616
	Interest income	203	226	959	704
	Rental income from investment property	99	43	297	223
	Disposal of fixed assets	971	-	971	-
	Foreign Exchange Gain	-	460	-	460
	Others	579	8	770	106
		2,880	2,235	5,042	4,119

2 Exceptional items

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Impairment of goodwill on the acquisition of the Company by Asia Paragon ("Acquisition")	-	-	-	11,941
Expenses relating to the Acquisition	-	-	-	845
	-	-	-	<u>12,786</u>

3. Profit before taxation includes the following items:-

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation and amortization	6,605	5,077	18,270	14,134
Staff costs	4,122	3,474	12,624	9,451
Operating lease rental	79	19	266	90

4. Income Tax Credit

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Tax expense attributable to profit is made up of:				
Current income tax				
-Foreign *	-	-	(87)	-
-Local**	-	-	-	-
(Underprovision)/ Overprovision in preceding financial years				
-deferred income tax	-	-	140	-
-Income tax	(6)	-	(28)	-
	<u>(6)</u>	<u>-</u>	<u>25</u>	<u>-</u>

*This is related to PRC income tax at a rate of 33% for Delong Yuntong.

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

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 30-09-06	As at 31-12-05	As at 30-09-06	As at 31-12-05
Current Assets				
Cash and cash equivalents	26,349	15,279	2,155	9
Bank balances pledged	50,471	17,638	-	-
Trade and other receivables	67,447	48,634	9,004	27,125
Inventories	57,782	72,275	-	-
	202,049	153,826	11,159	27,134
Non-current assets				
Other receivables	-	-	14,507	14,507
Investments in subsidiaries	-	-	372,018	372,018
Available-for-sale financial assets	2,010	2,075	-	-
Investment property	3,347	3,399	-	-
Property, plant and equipment	481,079	356,048	91	93
	486,436	361,522	386,616	386,618
Total assets	688,485	515,348	397,775	413,752
Current liabilities				
Trade and other payables	159,001	143,247	1,983	1,138
Notes payables	60,236	20,793	-	-
Borrowings	158,747	100,615	2	-
Provision for current tax	7,045	21,568	-	7
Total current liabilities	385,029	286,223	1,985	1,145
Non-current liabilities				
Borrowings	7,098	9,921	10	-
Deferred tax liabilities	-	140	-	3
	7,098	10,061	10	3
CAPITAL AND RESERVE:				
Share capital	67,404	58,377	404,048	265,001
Reserves	228,954	160,687	(8,268)	147,603
Total equity	296,358	219,064	395,780	412,604
Total liabilities and equity	688,485	515,348	397,775	413,752

I(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 30-09-2006	As at 31-12-2005
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Secured	Unsecured*	Secured	Unsecured*
S\$'000	S\$'000	S\$'000	S\$'000
114,969	43,778	75,715	24,900

Amount repayable after one year

As at 30-09-2006	As at 31-12-2005
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Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,323	4,775	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\$43,778,000 (31 December 2005:S\$24,900,000) 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			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2006 S\$'000	30/09/2005 S\$'000	30/09/2006 S\$'000	30/09/2005 S\$'000
Cash flows from operating activities:				
Profit before taxation	37,810	27,165	98,835	113,772
Adjustments for:				
Depreciation	6,605	5,077	18,270	14,134
Impairment of goodwill	-	-	-	11,941
(Gain)/Loss on disposal of property, plant and equipment	(971)	-	(971)	8
Interest income	(203)	(214)	(959)	(692)
Interest expense	3,155	1,749	7,722	5,483
	8,586	6,612	24,062	30,874
Operating cash flow before working capital changes	46,396	33,777	122,897	144,646
Bank balances pledged	9,140	(28,380)	(32,833)	(5,782)
Receivables	(31,724)	6,520	(18,813)	20,277
Inventories	24,902	6,757	14,493	21,969
Payables	755	11,745	55,198	(21,334)
	3,073	(3,358)	18,045	15,130
Cash generated from operating activities	49,469	30,419	140,942	159,776
Income tax paid	(450)	(3,750)	(14,638)	(6,975)
Exchange differences	(19)	(3,941)	1,778	(7,081)
	(469)	(7,691)	(12,860)	(14,056)
Net cash generated from operating activities	49,000	22,728	128,082	145,720
Cash flows from investing activities:				
Payment for property, plant and equipment	(58,175)	(50,374)	(154,569)	(126,310)
Proceeds from disposal of property, plant and equipment	971	-	971	71
Interest received	203	214	959	692
Net cash flow on acquisition of subsidiary	-	-	-	442
Net cash used in investing activities	(57,001)	(50,160)	(152,639)	(125,105)
Cash flows from financing activities:				
Proceeds from borrowings	48,640	26,432	134,041	48,322
Repayment of borrowings	(34,920)	(27,467)	(75,153)	(79,821)
(Decrease)/Increase in amount due to a related party			-	(21,248)
Proceeds from warrants conversion	48	-	379	-
Proceeds from share placement	-	-	-	21,074
Expenses for share placement	-	-	-	(718)
Dividend paid	(7,961)	-	(15,918)	-
Interest paid	(3,155)	(1,749)	(7,722)	(5,483)
Net cash generated from/(used in) financing activities	2,652	(2,784)	35,627	(37,874)
Net increase in cash and cash equivalents	(5,349)	(30,216)	11,070	(17,259)
Cash and cash equivalents at beginning of the period	31,698	54,001	15,279	41,044
Cash and cash equivalents at end of the period	26,349	23,785	26,349	23,785

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	Retained earnings	Total
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'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
Issue of shares pursuant to exercise of warrants	148	-	-	-	-	148
Currency translation differences	-	-	(982)	-	-	(982)
Dividend paid	-	-	-	-	(7,957)	(7,957)
Net profit for the period	-	-	-	-	46,099	46,099
Balance as at 30 June 2006	67,356	-	(5,293)	15,374	187,386	264,823
Issue of shares pursuant to exercise of warrants*	48	-	-	-	-	48
Currency translation differences	-	-	1,644	-	-	1,644
Dividend paid	-	-	-	-	(7,961)	(7,961)
Net profit for the period	-	-	-	-	37,804	37,804
Balance as at 30 September 2006	67,404	-	(3,649)	15,374	217,229	296,358
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
Currency translation differences	-	-	1,663	-	-	1,663
Net profit for the period	-	-	-	-	51,727	51,727
Balance as at 30 June 2005	58,377	8,648	2,172	2,860	111,875	183,932
Currency translation differences	-	-	2,373	-	-	2,373
Net profit for the period	-	-	-	-	27,165	27,165
Balance as at 30 September 2005	58,377	8,648	4,545	2,860	139,040	213,470

The Company

	Share capital	Share premium	Retained earnings	Total
	SS'000	SS'000	SS'000	SS'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
Issue of shares pursuant to exercise of warrants	148	-	-	148
Dividend paid	-	-	(7,957)	(7,957)
Net loss for the period	-	-	(401)	(401)
Balance as at 30 June 2006	404,000	-	48	404,048
Issue of shares pursuant to exercise of warrants*	48	-	-	48
Dividend paid	-	-	(7,961)	(7,961)
Net loss for the period	-	-	(355)	(355)
Balance as at 30 September 2006	404,048	-	(8,268)	395,780

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
Net loss for the period	-	-	(675)	(675)
Balance as at 30 June 2005	265,001	138,668	(17,281)	386,388
Net loss for the period	-	-	(462)	(462)
Balance as at 30 September 2005	265,001	138,668	(17,743)	385,926

Notes:-

* The Company issued 971,250 ordinary shares at S\$0.05 per share pursuant to the exercise of warrants for the period ended 30 September 2006("3Q2006").

** 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 3rd Quarter Ended	30-09-06	30-09-05
Number of ordinary shares at 1 July	5,306,620,000	5,300,003,000
Shares arising from exercise of warrants	971,250	2,500
Number of ordinary shares at 30 September	5,307,591,250	5,300,005,500

Outstanding Warrants as at	30-09-06	30-09-05
Outstanding warrants that are convertible into ordinary shares	48,158,735	55,744,485

The Company issued 971,250 ordinary shares at S\$0.05 per share pursuant to the exercise of warrants in 3Q2006.

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			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Net profit for the period	37,804	27,165	98,860	113,772
Basic earnings per share (in cents)	0.71	0.51	1.86	2.17
Diluted earnings per share (in cents)	0.71	0.51	1.85	2.16
Weighted average no. of shares outstanding for basic earnings per share	5,307,302,625	5,300,004,658	5,304,546,147	5,242,537,407
Weighted average no. of shares outstanding for diluted earnings per share	5,334,455,195	5,333,603,181	5,332,470,120	5,276,684,041

Explanatory Notes:

Basic earnings per share is calculated based on the weighted average number of shares in issue during the periods 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 30 September.

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	
	30/09/2006	30/12/2005	30/09/2006	31/12/2005
Net Asset Value per share (cents)	5.58	4.13	7.46	7.78

Net asset value per share for the Group and Company is calculated based on 5,307,591,250 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 and Delong Yuntong.

(a) Review of income statement of the Group

The sales by the Group were primarily conducted in RMB and to eliminate the effect of the significant change in the exchange rates between S\$ and RMB during the corresponding periods, the explanatory notes under this Section will be based on financial numbers in RMB.

3Q2006 vs 3Q2005

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.

<i>Revenue</i>	RMB'000		S\$'000	
	3Q2006	3Q2005	3Q2006	3Q2005
Manufacture and Sale	1,068,864	964,997	212,921	215,402
Trading	155,786	-	31,033	-
Total	1,224,650	964,997	243,954	215,402

<i>Cost of Sales</i>	RMB'000		S\$'000	
	3Q2006	3Q2005	3Q2006	3Q2005
Manufacture and Sale	850,239	828,372	169,371	183,607
Trading	155,488	-	30,973	-
Total	1,005,727	828,372	200,344	183,607

<i>Gross Profit</i>	RMB'000		S\$'000	
	3Q2006	3Q2005	3Q2006	3Q2005
Manufacture and Sale	218,625	136,625	43,550	31,795
Trading	298	-	60	-
Total	218,923	136,625	43,610	31,795

<i>Gross Profit margin</i>	3Q2006	3Q2005
	%	%
Manufacture and Sale	20.5	14.2
Trading	0.2	

Note: The average exchange rates between S\$ and RMB for the month of 30 September 2005 and 30 September 2006 were S\$1: RMB4.78 and S\$1: RMB5.02 respectively. (Source: The Business Times, Singapore)

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment increased by RMB 104.0 million or 10.8% from RMB 965.0 million in 3Q2005 to RMB 1.069 billion in 3Q2006. The increase in revenue was principally attributed to the increase in quantity of products sold despite the slight decrease in the average selling prices of the products.

In 3Q2006 the Group sold 355,600 tonnes of mid-width steel coils and 20,700 tonnes of steel billets as compared to 341,000 tonnes of mid-width steel coils and 10,000 tonnes of steel billets in 3Q2005. Overall sales quantity increased by 25,300 tonnes or 7.2%. The Group also sold 35,800 tonnes of pig iron in 3Q2006.

Trading

The Group's Trading business segment contributed RMB155.8 million or 12.7% of the Group's total revenue in 3Q2006. The Group commenced its trading business in January 2006.

Cost of sales

Manufacture and Sale

Cost of sales increased by RMB21.8 million or 2.6% from RMB 828.4 million in 3Q2005 to RMB 850.2 million in 3Q2006 and was in line with the increase in revenue.

Trading

Cost of sales for the Trading business accounted for RMB155.5 million or 15.5% of the Group's total cost of sales in 3Q2006.

Gross profit

Manufacture and Sale

Gross profit increased by RMB82.0 million or 60.0% from RMB 136.6 million in 3Q2005 to RMB 218.6 million in 3Q2006.

Gross profit margin increased by 6.3 percentage points from 14.2% in 3Q2005 to 20.5% in 3Q2006. The increase in gross profit margin was due to the economies of scale.

Trading

Gross profit margin from the Trading business was comparatively lower at approximately 0.2% as such trading businesses involved minimal value-add to the products. This resulted in lower gross profit margin for the Group in 3Q2006.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB 2.4 million or 83.7% from RMB2.8 million in 3Q2005 to RMB 5.2 million in 3Q2006 due to increase in distribution related expenses as a result of higher sales quantity.

Administrative expenses

Administrative expenses increased by RMB 4.6 million or 25.9% from RMB17.9 million in 3Q2005 to RMB22.5 million in 3Q2006 due mainly to the change in basis of bonus provision from yearly to monthly and also the increase in general administrative expenses after the completion of the phase one technical enhancement programme as well as commencement of new activities in trading.

Finance costs

Finance costs increased by RMB 8.0 million or 102.1% from RMB7.8 million in 3Q2005 to RMB15.8 million in 3Q2006. The increase was due to additional bank loans drawn down in 3Q2006 to support the phase two technical enhancement programme.

Net profit

Net profit after tax of the Group increased by RMB 72.1 million or 61.2% from RMB117.7 million in 3Q2005 to RMB189.8 million in 3Q2006, representing a net profit margin of 12.2% in 3Q2005 and 15.5% in 3Q2006, respectively. The increase in net profit margin was primarily attributable to the higher operating profit margin from its Manufacture and Sale business segment. Excluding Trading business, the Manufacture and Sale business (i.e. HRC business) achieved a net profit margin of 18.3% in 3Q2006 against 12.2% in 3Q2005.

9M2006 vs 9M2005

Revenue

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

<i>Revenue</i>	RMB'000		SS'000	
	9M2006	9M2005	9M2006	9M2005
Manufacture and Sale	3,152,065	3,236,158	627,901	677,020
Trading	441,367	-	87,922	-
Total	3,593,432	3,236,158	715,823	677,020

<i>Cost of Sales</i>				
Manufacture and Sale	2,557,166	2,559,950	509,396	535,554
Trading	432,595	-	86,174	-
Total	2,989,761	2,559,950	595,570	535,554

<i>Gross profit</i>				
Manufacture and Sale	594,899	676,208	118,505	141,466
Trading	8,772	-	1,748	-
Total	603,671	676,208	120,253	141,466

<i>Gross profit margin</i>	9M2006	9M2005
	%	%
Manufacture and Sale	18.9	20.9
Trading	2.0	-

Note: Exchange rates between SS and RMB for the month of 30 September 2005 and 30 September 2006 were SS1: RMB4.78 and SS1: RMB5.02 respectively.

Manufacture and Sale

The Group's revenue from its Manufacture and Sale business segment decreased by RMB 84.0 million or 2.6% from RMB 3.236 billion in 9M2005 to RMB 3.152 billion in 9M2006. The decrease in revenue was principally attributable to the significant decrease in the average selling prices of the products over the corresponding periods despite the increase in quantity of products sold.

In 9M2006 the Group sold 1,084,900 tonnes of mid-width steel coils and 72,300 tonnes of steel billets as compared to 960,000 tonnes of mid-width steel coils and 86,000 tonnes of steel billets in 9M2005. Overall sales volume increased by 111,200 tonnes or 10.6%. The Group also sold 101,700 tonnes of pig iron in 9M2006.

Trading

The Group's Trading business segment contributed RMB441.4 million or 12.3% of the Group's total revenue in 9M2006. The Group commenced its trading business in January 2006.

Cost of sales

Manufacture and Sale

Cost of sales decreased slightly by RMB 3.0 million or 0.1% from RMB 2.560 billion in 9M2005 to RMB 2.557 billion in 9M2006 despite the increase in quantity of products sold of 10.6% due to the economies of scale.

Trading

Cost of sales for the Trading business accounted for RMB432.6 million or 14.5% of the Group's total cost of sales in 9M2006.

Gross profit

The Group's gross profit decreased by RMB72.5 million or 10.7% from RMB676.2 million in 9M2005 to RMB603.7 million in 9M2006. Group's gross profit margin decreased from 20.9% in 9M2005 to 16.8% in 9M2006.

Gross profit margin of the Manufacture and Sale business segment was 18.9% in 9M2006 compared with 20.9% in 9M2005. The lower gross profit margin in 9M2006 was primarily due to the significant decrease in average selling prices of the products especially during 1Q2006.

Gross profit margin from the Trading business was comparatively lower at approximately 2.0% as such trading businesses involved minimal value-add to the products. This resulted in lower gross profit margin for the Group.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB7.2 million or 48.8% from RMB14.7 million in 9M2005 to RMB 21.9 million in 9M2006 due to increase in distribution-related expenses as a result of higher sales quantity.

Administrative expenses

Administrative expenses increased by RMB19.9 million or 43.3% from RMB45.9 million in 9M2005 to RMB65.8 million in 9M2006 due mainly to the change in basis of bonus provision from yearly to monthly and also the increase in general administrative expenses after the completion of the phase one technical enhancement programme as well as commencement of new trading activities.

Finance costs

Finance costs increased by RMB12.6 million or 47.9% from RMB26.2 million in 9M2005 to RMB 38.8 million in 9M2006. The increase was due to additional bank loans drawn down to support the phase two technical enhancement programme.

Other operating expenses

Other operating expenses increased by RMB 2.2 million or 55.1% from RMB4.1 million in 9M2005 to RMB6.3 million in 9M2006. This was mainly due to the disposal of waste and scrap.

Net profit

Net profit after tax of the Group decreased by RMB47.5 million or 8.7 % from RMB543.8 million in 9M2005 to RMB496.3 million in 9M2006, representing a net profit margin of 16.8% in 9M2005 and 13.8% in 9M2006, respectively. The lower net profit margin in 9M2006 was primarily attributable to the significantly lower operating profit margin of Trading business. Excluding Trading business, the Manufacture and Sale business (i.e. HRC business) achieved a net profit margin of 15.7% in 9M2006 against 18.8% in 9M2005.

(b) Review of balance sheet of the Group as at 30 September 2006

Current assets

Current assets increased by S\$48.2 million or 31.3% from S\$153.8 million as at 31 December 2005 to S\$202.0 million as at 30 September 2006. The increase was primarily attributable to the increase in cash and cash equivalents from operating activities and bank balances pledged with banks as securities for notes payable as well as increase in prepayments to vendors and notes receivables. The increase was partially offset by the decrease in inventories.

As at 30 September 2006, of the S\$67.4 million of the Group's "trade and other receivables", approximately S\$50.0 million or 74.2% comprised notes receivable from customers and pre-payments to vendors and approximately S\$0.7 million comprised trade receivables.

Current liabilities

Current liabilities increased by S\$98.8 million or 34.5% from S\$286.2 million as at 31 December 2005 to S\$385.0 million as at 30 September 2006. The increase was primarily attributable to the increase in short-term borrowings, notes payable and advance payment from customers (other payables) which were in line with the increase in activities during the periods under review. The increase was partially offset by the decrease in tax.

Working capital

The Group had negative working capital position of S\$132.4 million and S\$183.0 million as at 31 December 2005 and 30 September 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 9M2006. In addition, pre-payments from customers amounting to S\$82.3 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\$125.1 million from S\$356.0 million as at 31 December 2005 to S\$481.1 million as at 30 September 2006. The increase was primarily due to the construction in progress in relation to the improvement and upgrading of facilities at Delong Steel. The technical enhancement programme commenced in May 2005 and are scheduled to fully complete in 4Q2006.

(c) Review of cash flow statement of the Group

3Q2006 vs 3Q2005

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by S\$12.6 million or 37.4% from S\$33.8 million in 3Q2005 to S\$46.4 million in 3Q2006. The increase was primarily due to increase in operating profit. Net cash generated for working capital was S\$3.1 million in 9M2006, attributable mainly to the decrease in bank balances pledged and inventories. The cash generated from operating activities was partially offset by the increase in notes receivable.

The decrease in bank balances pledged was attributable to the decrease in notes payable in 3Q2006 while the decrease in inventories was due to better management of inventories. The increase in notes receivable was in line with the increase in revenue.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$57.0 million in 3Q2006. This was principally payment for construction in progress in relation to the technical enhancement programme.

Net Cash Generated From Financing Activities

Net cash inflow from financing activities was S\$2.7 million in 3Q2006. This was mainly attributable to the drawdown of short-term bank loans of S\$48.6 million. This was partially offset by the principal and interest repayments of bank borrowings of S\$34.9 million and dividend payment of S\$8.0 million in August 2006.

9M2006 vs 9M2005

Net Cash Generated From Operating Activities

Operating cash flow before working capital changes decreased by S\$21.7 million or 15.0% from S\$144.6 million in 9M2005 to S\$122.9 million in 9M2006. The decrease was primarily due to decrease in operating profit. Cash generated from operating activities decreased by S\$19.1 million or 11.8% from S\$160.0 million in 9M2005 to S\$140.9 million 9M2006, attributed mainly to the increase in bank balances pledged for the issuance of notes payable and as well as increase in notes receivable. The decrease is partially offset by the increase in payables.

The increase in bank balances pledged was attributable to the increase in notes payable in 9M2006 while the increase in notes receivable was in line with the increase in revenue. The increase in advance payments received from customers in 3Q2006 was in line with the higher revenue in 9M2006.

After taking into consideration net cash used for working capital and income tax paid amounting to S\$14.6 million, the net cash inflow from operating activities was S\$128.1 million in 9M2006.

Net Cash Used In Investing Activities

Net cash used in investing activities was S\$152.6 million in 9M2006. The increase was in line with the increase in non-current assets as a result of technical enhancement programmes.

Net Cash Generated From Financing Activities

Net cash inflow from financing activities was S\$35.6 million in 9M2006. This was mainly attributable to the drawdown of short-term loans of S\$134.0 million and the proceeds from the conversion of warrants of S\$0.4 million. This was partially offset by the repayments of principal and interest for bank borrowings of S\$75.2 million and total dividend payments of S\$15.9 million in May 2006 and August 2006.

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

Market Outlook For Steel Prices and Gross Profit Margin

Following a softening of prices in June and July 2006, prices of the Group's mid-width hot-rolled coils ("HRC") have stabilised since August and are expected to fluctuate in 4Q2006. Raw material prices are expected to rise marginally during the winter period coinciding with 4Q2006.

The Group achieved a net profit margin of 18.3% for its HRC operations in 3Q2006. With the expected marginal rise in raw material prices, the net profit margin for HRC business will be marginally affected.

The second phase of the technological enhancements to the Group's HRC plant in Xingtai is near completion and the new line will commence production at the end of November 2006. This will increase the capacity of Delong Steel to 2.4 million tonnes from 1.6 million tonnes currently. The increase in capacity will contribute positively to the Group's performance from December 2006 onwards, with the full impact being felt in FY2007.

In view of the increased production capacity in FY2007, and barring unforeseen circumstances, the Group is optimistic that the performance in FY2007 will be better than that of FY2006.

Proposed new Cold-Rolled Steel Plant

Further to the announcement of 2 August 2006 on its plans to build a new cold-rolled coil ("CRC") plant within the current Xingtai facility with capacity of 500,000 tonnes per year, the Group is in the process of negotiating the selection of equipment and ancillary facilities and conducting discussions with potential investment or technology partners.

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 third quarter ended 30 September 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

