德龙控股
DELONG HOLDINGS

**PRESS RELEASE**

# Delong Holdings more than doubled net profit to RMB 95.8 million in 4Q2010 compared with 3Q2010

- ***Revenue was up 6.6% to RMB 2,641 million in 4Q2010 from RMB 2,477 million in 3Q2010***
- ***Net cash generated from operating activities surged to RMB 1.2 billion in FY2010 compared to RMB 12 million in FY2009***
- ***Cash in hand up from RMB 290.1 million in FY2009 to RMB 509.7 million in FY2010***

SINGAPORE, 18 February, 2011 – Singapore Exchange (“SGX”) Mainboard-listed Delong Holdings Limited (“Delong” or “the Group”), a leading manufacturer of hot-rolled steel coils (“HRC”) in the People’s Republic of China (“PRC”), announced today a 124.3% quarter-on-quarter jump in its 4Q2010 net profit to RMB 95.8 million from RMB 42.7 million for 3Q2010.

This improvement was on the back of a 6.6% increase in Group revenue to RMB 2,641 million in 4Q2010 from RMB 2,477 million in 3Q2010, mainly attributed to the higher average selling prices of its HRC products.

The Group’s bottomline benefited from gains on fair value change of convertible bonds and shares as well as the gains from the early redemption of convertible bonds in 4Q2010.

For the whole of FY2010, net profit fell 54.4% to RMB 305.2 million from RMB 668.8 million for FY2009. This decline reflected lower profit margins and the absence of FY2009’s one-time RMB 272.3 million gain on restructuring of old convertible bonds and a RMB 41.1 million gain in currency translation.

The Group’s net profit for FY2010 also included a one-off impairment charge of RMB 41.0 million. The impairment is a non-cash item and has no impact on the Group’s operating cashflow. This one-time non-cash charge was the result of an impairment review that the Group undertook for the mill roll production facilities in 3Q2010.

Excluding this impairment charge, the Group’s FY2010 net profit would have been RMB 346.2 million.

Compared to FY2009 net profit – excluding the gains on restructuring of old convertible bonds and currency translation as well as gains on change in fair value of convertible bonds and shares – the Group's FY2010 net profit would only be 11.2% lower.

Operationally, the Company is financially healthy. Net cash from operating activities rose from RMB 12.0 million in FY2009 to RMB 1.2 billion in FY2010. This is on the back of a net working capital inflow of RMB 331.8 million, due mainly to lower bank balances pledged as securities for notes payable and bank borrowings, and also an increase in trade and other payables.

Operating cashflow before working capital changes rose by RMB 86.0 million from RMB 869.7 million in FY2009 to RMB 955.7 million in FY2010.

The Company continued to strengthen its cash pile, with cash in hand leaping to RMB 509.7 million in FY2010 – up 75.7% from RMB 290.1 million in FY2009.

On a quarter to quarter basis, the Group's 4Q2010 revenue shot up by 26.6% compared to 4Q2009. This was mainly attributed to the higher selling prices of its HRC products. Net profit for the same respective period however fell 80.8% to RMB500.3 million. The weaker bottomline was due to the lower profit margins as a result of higher material costs as well as the absence and decrease in other gains which the Group recorded in 4Q2009.

The Group booked in a gain of RMB 272.3 million on restructuring of old convertible bonds which took place in 4Q2009, fair value gains on convertible bonds and shares, and currency translation gains. Excluding these gains, net profit for 4Q2010 was 51.3% lower than the corresponding quarter last year.

On a full-year basis, the Group saw a 29.0% increase in revenue to RMB 9.9 billion in FY2010 from RMB 7.7 billion in FY2009. This was due to higher average selling price and sales volume of HRC for FY2010, compared to FY2009.

Gross profit increased by RMB 24.9 million or 3.6% from RMB 685.6 million in FY2009 to RMB 710.5 million in FY2010. Gross profit margin decreased slightly from 8.9% in FY2009 to 7.2% in FY2010, despite the 31.5% increase in annual cost of goods sold compared to FY2009 – which reflected the Group's effectiveness in inventory management, production efficiency and cost control.

Inventories edged up from RMB 1,085 million in FY2009 to RMB 1,262 million in FY2010, due to the higher stock of raw material towards the end of FY2010 as the Company also stepped up purchases of raw materials in anticipation of more price increases in raw materials in FY2011.

Group Net Asset Value (NAV) per share rose from RMB 3.84 to RMB 4.36 for the full year ended 31 December 2010. The Group's Basic earnings per share was RMB 0.56 in FY2010 against RMB 1.25 in FY2009.

Commenting on the Group's FY2010 results, Chairman Mr Ding Liguo said, "In FY2010, China steel industry saw a price uptrend since July 2010, fuelled by increased demand for steel products. The Group has benefited from higher selling prices of its products and improved its cash balance in FY2010.

"However, the costs of raw materials rose sharply, with iron ore price hitting its peak in April 2010 and stayed high since then. The rise in global commodity prices will continue to put pressure on iron ore and coal prices, which will mean higher raw material costs for the Group. We will therefore have to be more cautious in our purchase of raw materials and cost control.

"Delong has achieved cost savings from the recycling of waste gas, water and residue. Improvement in smelting technology and use of scrap steel has also contributed to the production efficiency of the Group.

"The Company had fully redeemed the convertible bonds (restrictive) in December 2010, which resulted in a healthier financial position.

"Going forward, Delong plans to explore growth opportunities through strategic M&A activities to boost production capacity, as well as to improve its portfolio to include higher value-added products. The Group remains cautiously optimistic of its outlook in FY2011. "

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**About Delong Holdings Limited**

Singapore Exchange Mainboard-listed Delong Holdings Limited ("Delong" or the "Group") is a dedicated steel manufacturing group located in the People's Republic of China, specialising in the manufacture of hot-rolled steel coils ("HRC"). Delong's production base, strategically located 430 km southwest of Beijing, sits in proximity to abundant raw material sources and an extensive client base encompassed within the Bohai Economic Circle. With strong capabilities in manufacturing HRC of customisable widths and thicknesses, Delong's products cater to the highly specific needs of its clients in the infrastructure, pipe and machinery fabrication, as well as automotive industries.

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*Release issued on behalf of Delong Holdings Limited by*
*Stratagem Consultants Pte Ltd*

For more information, please contact:
Tham Moon Yee/ Lee Yew Meng/ Adrian Yan Wen Liang
Tel: 6227 0502

Email: tmy@stratagemconsultants.com
yewmeng@stratagemconsultants.com
adriany@stratagemconsultants.com