德龙控股
DELONG HOLDINGS

PRESS RELEASE

Delong Holdings reports 16% increase in net profit to RMB 96.7 million in 3QFY2011 from 2QFY2011

- ***Net profit jumped 126.3 per cent in 3QFY2011 compared with 3QFY2010 on a 34.6 % rise in turnover to RMB 3.34 billion***
- ***New co-generation power plant to reduce total production costs of about RMB40.0 million annually***

SINGAPORE, 03 November, 2011 – Singapore Exchange ("SGX") Mainboard-listed Delong Holdings Limited ("Delong" or "the Group"), a manufacturer of hot-rolled steel coils ("HRC") in the People's Republic of China ("PRC"), announced today a quarterly 16% growth in net profit to RMB 96.7 million in 3QFY2011 from RMB 83.4 million in 2QFY2011. This was achieved on the back of an improved turnover of RMB 3,335 million vs RMB 3,282 million in 2QFY2011.

Compared to 3QFY2010, the Group's net earnings surged 126.3 per cent to RMB 96.7 million in 3QFY2011 from RMB 42.7 million. Turnover in 3QFY2011 went up by 34.6% to RMB 3.33 billion from RMB 2.48 billion in 3QFY2010.

The higher revenue achieved in 3QFY2011 was the result of higher sales volume of HRC products and increase in average selling price of HRC. The Group sold 727,618 tonnes of HRC and 451 tonnes of steel billets as compared to 654,763 tonnes of HRC and 963 tonnes of steel billets in 3QFY2010. Overall, sales quantity increased by 72,343 tonnes or 11.0%.

The revenue rise was also due to the increase in volume of mill rolls sold by 2,359 tonnes from 724 tonnes in 3QFY2010 to 3,083 tonnes in 3QFY2011. Revenue from mill rolls accounted for about 0.8% of the Group's revenue in 3QFY2011.

The sharp rise in net profit for this period was due to higher sales volume of Delong's HRC steel products. Other reasons include the gain from the quarterly revaluation of derivatives in the Group's convertible bonds of RMB 1.2 million and convertible shares of RMB 2.6 million, as well as the gain of RMB 13.9 million on disposal of investment property at 1 Changi South Street 1, Singapore, during the period under review. The net profit rise was also due to lower distribution and administrative expenses, as well as lower income tax expenses.

The net profit margin for the quarter increased to 2.9% from 1.7% in 3QFY2010. The net profit margin in 2QFY2011 was 2.5%.

On a nine-month basis, Group revenue rose by RMB 908.4 million or 12.5% from RMB 7,284 million in 9MFY2010 to RMB 8,192.4 million in 9MFY2011, despite lower sales volume of HRC in 9M2011 resulting from the 5-week maintenance programme for two of the blast furnaces in 1QFY2011. The increase was largely attributed to the higher average selling price of HRC sold in 9MFY2011.

The Group sold 1,845,711 tonnes of HRC and 660 tonnes of steel billets in 9MFY2010 compared to 1,901,646 tonnes of HRC and 13,936 tonnes of steel billets in 9MFY2011. Overall sales volume dipped by 69,211 tonnes or 3.6%.

While the volume of HRC products sold fell, the Group sold more mill rolls. The volume of mill rolls sold rose by 1,978 tonnes from 6,298 tonnes in 9MFY2010 to 8,276 tonnes in 9MFY2011. Revenue from mill rolls accounted for about 0.9% of the Group’s revenue in 9MFY2011.

Group net profit for the nine months of FY2011 fell by RMB 51.4 million or 24.6% from RMB209.4 million in 9M2010 to RMB158.0 million in 9M2011. The lower net earnings was primarily due to the increase in raw material prices which outpaced the increase in average selling price of HRC sold. The smaller earnings was also due to lower production output during the maintenance period of the Group’s blast furnaces in 1QFY2011.

Group net profit margin for the 9 months was also lower at 1.9% compared to the previous corresponding period.

Reflecting the net profit of the Group, Group EPS for 3QFY2011 (on a diluted basis) was 0.17 RMB (vs 0.07 RMB in 3QFY2010). On a nine months basis, Group EPS (on a diluted basis) was RMB 0.24 against RMB0.35 in 9MFY2010.

Group net asset value per share (NAV) for 3QFY2011 rose to RMB 4.67 as at 30 September 2011 from RMB 4.16 as at 30 September 2010.

GOING FORWARD

On the Group’s 3Q results, Chairman Mr Ding Liguo said, “The Group has improved its performance every quarter consecutively since 1QFY2011. This reflected the rising HRC prices as well as our efforts to contain costs and maximise returns for our shareholders.

"The prices of steel products will be affected by the softer domestic and global markets in the coming months. The China Iron and Steel Association said that the country's tight monetary policy is having an impact on commodities demand in the world's second-largest economy. It has forecast steel production growth to ease in the second half of this year and this is attributed to lacklustre steel exports and to slackening automotive, shipbuilding and machinery industries in China. Steel demand in the domestic market will also be affected by the China government's recent efforts to curb inflation and tighten credit control. The tighter monetary policies implemented are likely to slow down the growth of the property and construction sectors."

He added, "In the light of the steel industry trends and global uncertain economic outlook, the Group will continue to focus on cost control and inventory management to protect its profit margins. The Group will also maintain its efforts on energy saving from its newly completed co-generation power plant.

"Going forward, the Group will continue to adopt prudent strategies to minimise exposure to market risks while taking advantage of market opportunities to deliver better returns to shareholders."

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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