



德龙控股
DELONG HOLDINGS

NEWS RELEASE

DELONG REPORTS 9M2012 NET PROFIT OF RMB218.3 MILLION

- *Negative goodwill arising from acquisition of Aoyu Steel added RMB81.3 million to bottomline performance*
- *9M2012 gross profit up 13.2% RMB456.7 million backed by contributions from Aoyu Steel*
- *Remains on active lookout for earnings-accretive acquisitions to boost capacity*

(RMB' million)	3Q2012	3Q2011	% Change	9M2012	9M2011	% Change
Revenue	3,299.6	3,335.1	(1.1)	9,718.9	8,192.4	18.6
Gross Profit	123.3	203.9	(39.5)	456.7	403.5	13.2
Gross Profit Margin (%)	3.7	6.1	(2.4) ppt	4.7	4.9	(0.2) ppt
Profit Before Tax	22.4	132.6	(83.1)	167.2	214.1	(21.9)
Net Profit	55.4	96.7	(42.7)	216.4	158.0	37.0

Singapore, November 9, 2012 – 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 18.6% increase in revenue to RMB9.7 billion for the nine months ended September 30, 2012 (“9M2012”), from RMB8.2 billion in the corresponding financial period (“9M2011”).

Despite the continued challenges faced by steel manufacturers worldwide, the Group was able to achieve a 18.6% jump in revenue to RMB9.7 billion for 9M2012, from RMB8.2 billion for 9M2011. Aoyu Steel, which had commenced contribution since April 2012, accounted for approximately 18.6% or RMB1.8 billion of total revenue for 9M2012.

Commenting on the Group's performance, Delong's Chairman, Mr. Ding Ligu, said, "Our financial performance continues to validate the success of our acquisition growth strategy. Aoyu steel has continued to prove itself as an earnings-accretive business unit. In addition, while overcapacity and softer demand due to slowing economic growth in the PRC remains a key concern for steel makers, Delong's established track record and capabilities in manufacturing highly-customisable, high-grade steel products has served to mitigate part of these concerns."

For 9M2012, the Group achieved a 42.3% jump in total sales volume, having sold 2,002,075 tonnes of HRC and 625,674 tonnes of steel billets, from 1,845,711 tonnes of HRC and 660 tonnes of steel billets for 9M2011.

Gross profit rose 13.2% from RMB403.5 million in 9M2011 to RMB456.7 million in 9M2012, which would have been higher if not for a decrease in average selling prices of HRC, which outpaced the decrease in raw material prices. Correspondingly, gross profit margin dipped marginally to 4.7% for 9M2012, from 4.9% for 9M2011.

Net profit increased 37.0% to RMB216.4 million in 9M2012 from RMB158.0 million in 9M2011. The increase was mainly attributable to higher revenues and to a negative goodwill of RMB81.3 million arising from the acquisition of Laiyuan County Aoyu Steel Co. Ltd ("Aoyu Steel") in April 2012.

For the three months ended September 30, 2012 ("3Q2012"), revenue was RMB3.3 billion, a similar level compared to revenue for the three months ended September 30, 2011 ("3Q2011"). 3Q2012 revenue included revenue contribution from Aoyu Steel which was acquired in April 2012. Excluding the revenue contribution from Aoyu Steel, 3Q2012 revenue declined 24.9% from 3Q2011 due to lower sales volumes from weaker demand of HRC and lower average selling prices. As a result of higher distribution and marketing expenses, and administrative expenses, net profit was RMB55.4 million in 3Q2012 compared with RMB96.7 million in 3Q2011.

Recent Developments & Outlook

The slowdown in China's economic growth, which dipped to 7.4% in 3Q2012, together with ongoing overcapacity concerns, has continued to limit near-term prospects for the PRC steel industry. Nonetheless, the Central Government's push to boost economic growth via strategic investments into infrastructure development should help to support steel demand as well as alleviate margin pressures.

"While the near-term operating climate is expected to remain challenging, we are of the view that the ongoing consolidation and phasing out of inefficient capacity will contribute to the long-term sustainability of a highly-fragmented industry and our growth strategies are aligned as such. We remain on the lookout for synergistic acquisitions that will contribute positively to the Group's profitability and market position." Mr Ding added.

In view of the current tough economic climate and operating environment in the PRC, the Group expects the outlook of its performance over the next reporting period to remain challenging.

About Delong Holdings Limited

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 and sale of steel billets and hot-rolled steel coils ("HRC"). Delong's production bases are situated in Hebei Province and in proximity to abundant raw material sources as well as an extensive client base within the Bohai Economic Circle. With strong capabilities in manufacturing steel billets and HRC to customers' specifications, Delong's products are used in the infrastructure, pipe and machinery fabrication, and automotive industries.

Delong is listed on the Singapore Exchange since 2005.

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