



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 2014

Statement Pursuant to SGX Listing Rule 705(4) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors, which may render the unaudited interim consolidated financial results of Delong Holdings Limited for the second quarter ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Mr. Ding Liguo
Chairman

Mr. Zuo Shuowen
Executive Director

Singapore
12 August 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF – YEAR AND FULL RESULTS

1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Note	The Group					Increase (Decrease) %
		2 nd Quarter Ended		Increase (Decrease) %	Half Year Ended		
		30/06/2014 RMB'000	30/06/2013 RMB'000		30/06/2014 RMB'000	30/06/2013 RMB'000	
Sales		2,516,587	2,637,086	(4.6)	4,902,692	5,847,764	(16.2)
Cost of sales		(2,285,629)	(2,555,425)	(10.6)	(4,648,614)	(5,613,427)	(17.2)
Gross Profit		230,958	81,661	182.8	254,078	234,337	8.4
Other Income	1	22,538	36,130	(37.6)	41,238	61,981	(33.5)
Other losses-net	2	(14,767)	(11,104)	33.0	(998)	(10,981)	(90.9)
-Distribution and marketing		(8,834)	(3,133)	182.0	(12,196)	(6,323)	92.9
-Administrative		(82,554)	(63,874)	29.2	(141,458)	(120,077)	17.8
-Finance		(59,727)	(43,920)	36.0	(117,496)	(98,602)	19.2
Profit/(loss) before tax	3	87,614	(4,240)	n.m	23,168	60,335	(61.6)
Income tax expense	4	(13,247)	(9,265)	43.0	(15,110)	(26,398)	(42.8)
Net Profit/(loss)		74,367	(13,505)	n.m	8,058	33,937	(76.3)
Profit/(loss) attributable to:							
Equity holders of the Company		71,185	(14,260)	n.m	6,157	31,229	(80.3)
Non-controlling interest		3,182	755	321.5	1,901	2,708	(29.8)
		74,367	(13,505)	n.m	8,058	33,937	(76.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit/(loss)	74,367	(13,505)	n.m	8,058	33,937	(76.3)
Other comprehensive income						
Available-for-sale financial assets- Fair value gain	(5,870)	-	n.m	(2,486)	-	n.m
Currency translation differences	(152)	5,005	n.m	(4,738)	8,136	n.m
Other comprehensive (loss)/ income for the period, net of tax	(6,022)	5,005	n.m	(7,224)	8,136	n.m
Total comprehensive income/(loss)	68,345	(8,500)	n.m	834	42,073	n.m
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	65,163	(9,255)	n.m	(1,067)	39,365	n.m
Non-controlling interest	3,182	755	321.5	1,901	2,708	(29.8)
	68,345	(8,500)	n.m	834	42,073	(98.0)

nm-not meaningful

Notes to the Income Statements

1 Other Income

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant ^(a)	404	11,353	809	13,763
Finance lease income	590	1,602	1,418	8,512
Interest income	21,544	23,175	39,011	39,706
	<u>22,538</u>	<u>36,130</u>	<u>41,238</u>	<u>61,981</u>

Note:

^(a) Government grant received in recognition of the Group's technological improvement and energy-saving emission reduction projects in the PRC.

2 Other losses-net

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of financial assets, available- for- sale	15	-	15	-
Fair value gain/(loss)- financial assets at fair value through profit or loss	25	(111)	23	(149)
Currency translation gain/(loss)-net ^(a)	2,529	6,505	8,717	5,562
Fair value (loss)/gain on convertible shares ^(b)	(123)	(14,921)	68	(19,543)
Fair value changes on purchase considerable payable	(3,844)	(755)	(2,560)	(2,708)
Loss on disposal of property, plant and equipment ("PPE")	(8,864)	(1,979)	(9,152)	(3,876)
Others ^(c)	(4,505)	157	1,891	9,733
	<u>(14,767)</u>	<u>(11,104)</u>	<u>(998)</u>	<u>(10,981)</u>

Notes:

(a) The currency translation gain was mainly due to the revaluation of bank balances denominated in SGD, which strengthened against RMB for the second quarter ended 30 June 2014 ("2Q2014") and the first half ended 30 June 2014 ("1H2014"), respectively.

(b) The (loss)/gain was due to the quarterly revaluation of derivatives embedded to the convertible shares.

(c) Others comprised the sale of gas, oxygen, electricity, etc.

3. Profit before taxation includes the following items:-

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization ^(a)	123,796	118,342	239,647	253,171
Staff costs ^(b)	83,775	96,365	186,336	210,706
Operating lease rental	209	245	399	493

Notes:

(a) The decrease in depreciation and amortization in 1H2014 was mainly due to certain assets were fully depreciated.

(b) The decrease in staff costs in 2Q2014 and 1H2014 was mainly due to lower headcount and related costs.

4. Income Tax Expense

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense is made up of:				
- Provision on the profit for the financial year				
Current income tax				
-Foreign	17,264	10,752	20,023	30,575
-Singapore	-	336	-	336
Deferred income tax	(3,970)	(1,966)	(4,824)	(4,616)
Adjustments in respect of the preceding financial years				
-Current income tax	(47)	143	(89)	103
	<u>13,247</u>	<u>9,265</u>	<u>15,110</u>	<u>26,398</u>

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

	Note	The Group		The Company	
		RMB '000		RMB '000	
		As at 30/06/2014	As at 31/12/2013	As at 30/06/2014	As at 31/12/2013
Current assets					
Cash and cash equivalents		599,154	373,706	36,213	33,913
Bank balances pledged		700,664	623,308	-	-
Financial assets, at fair value through profit and loss		-	393	-	393
Held-to-maturity financial assets	1	300,000	300,000	-	-
Trade and other receivables	2	914,346	857,118	22	10
Inventories	3	606,327	869,308	-	-
Other assets	4	741,059	750,417	271	292
Total current assets		3,861,550	3,774,250	36,506	34,608
Non-current assets					
Bank balances pledged		200,000	200,000	-	-
Trade and other receivables	5	24,091	27,382	227,994	229,666
Other assets	4	-	259,914	-	-
Available-for-sale financial assets	6	282,837	214,735	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in a joint venture	7	4,900	-	-	-
Property, plant and equipment		3,082,339	2,841,017	66	81
Intangible assets		15,840	18,720	-	-
Deferred tax assets		13,442	13,804	-	-
Total non-current assets		3,623,449	3,575,572	2,212,976	2,214,663
Total assets		7,484,999	7,349,822	2,249,482	2,249,271
Current liabilities					
Trade and other payables	8	1,356,514	1,562,339	2,739	5,242
Notes payables		843,261	383,800	-	-
Borrowings		1,674,713	1,765,889	14	11
Convertible shares		9,995	10,216	9,995	10,216
Purchase consideration payable	9	118,289	115,729	-	-
Total current liabilities		4,002,772	3,837,973	12,748	15,469
Non-current liabilities					
Borrowings		778,108	863,789	19	28
Deferred income tax liabilities		30,144	34,606	-	-
Total non-current liabilities		808,252	898,395	19	28
Total liabilities		4,811,024	4,736,368	12,767	15,497
Net Assets		2,673,975	2,613,454	2,236,715	2,233,774
Capital reserves and non-controlling interests					
Share capital		405,775	405,147	2,111,611	2,110,983
Reserves		2,181,268	2,182,963	125,104	122,791
Equity attributable to owners of the Company		2,587,043	2,588,110	2,236,715	2,233,774
Non-controlling interests		177,317	115,729	-	-
Capital reserve		(90,385)	(90,385)	-	-
Total equity		2,673,975	2,613,454	2,236,715	2,233,774

Notes:

1. Held-to-maturity financial assets

	The Group	
	30/06/2014	31/12/2013
	RMB'000	RMB'000
Bohai International Trust Co.,Ltd ¹	100,000	100,000
Harvest Capital Management Co., Ltd ²	200,000	200,000
	<u>300,000</u>	<u>300,000</u>

(1) The unit trust bears an interest rate of 7.2% per annum and is due in July 2014.

(2) Investment in Harvest Capital Management Co., Ltd bears an interest rate of approximately 6.25% per annum.

2. Trade and other receivables - current

	The Group	
	30/06/2014	31/12/2013
	RMB'000	RMB'000
Finance lease receivables	39,638	37,858
Trade receivables ⁽¹⁾	70,307	66,172
Notes receivable	790,029	714,618
Due from an investee company	-	23,470
Due from Lai Yuan Bureau of finance	1,473	-
Due from Shijiazhuang New Century Coal Industrial Group Co., Ltd	12,899	15,000
	<u>914,346</u>	<u>857,118</u>

(1)After taking into account of the allowance for doubtful debts for trade receivables which were overdue for over 360 days.

3. Inventories

	The Group	
	30/06/2014	31/12/2013
	RMB'000	RMB'000
Raw materials	426,232	584,564
Work-in-progress	83,703	152,672
Finished goods	64,678	95,628
Production supplies	31,714	36,444
	<u>606,327</u>	<u>869,308</u>

The decrease in inventories was a result of better inventory management.

4. Other assets

	The Group	
	30/06/2014	31/12/2013
	RMB'000	RMB'000
Deposits	286	208
Prepayments	416,862	721,745
Entrusted loan to third parties	125,000	125,000
VAT and Tax recoverable	80,054	111,285
Others	118,857	52,093
	<u>741,059</u>	<u>1,010,331</u>

Analysed as:

Current	741,059	750,417
Non-current	-	259,914
	<u>741,059</u>	<u>1,010,331</u>

Prepayments relate to deposits and advance payments made to suppliers for the purchase of raw materials. These prepayments are to be offset against the purchases when the goods are received by the Group.

5. Trade and other receivables – non-current

	The Group	
	30/06/2014	31/12/2013
	RMB'000	RMB'000
Finance lease receivables	621	25,909
Due from an investee company	23,470	-
Due from Lai Yuan Bureau of Finance	-	1,473
	<u>24,091</u>	<u>27,382</u>

The decrease in finance lease receivables was due to the termination of finance lease contracts in 1Q2014.

6. Available-for-sale financial assets

	The Group	
	30/06/2014	31/12/2013
	RMB'000	RMB'000
10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd	10,000	10,000
2.7% equity interest in Guo Kai Rui Ming (Beijing) Investment Fund Co., Ltd	50,000	50,000
1.6% equity interest in Hengshi Mining Investments Ltd	49,086	51,571
Harvest Fund Management Co., Ltd ¹	90,251	19,664
Shan Nan De Lian Heng Tong Investment	83,500	83,500
	<u>282,837</u>	<u>214,735</u>

Note:-

¹Investment bears an interest rate of 4.5% per annum and has no fixed maturity

7. This refers to the Company's 49% equity stake in Xingtai Xilan Zhongde Natural Gas Sales Co., Ltd.

8. Trade and other payables (Current and Non-Current)

	The Group	
	30/06/2014 RMB'000	31/12/2013 RMB'000
Trade payables to:		
- Third parties	589,766	607,324
VAT and other taxes payable	15,318	27,216
Payable to contractors for construction-in-progress	33,779	36,501
Advances from customers ⁽¹⁾	458,677	636,406
Other accrual for operating expenses	18,650	19,950
Accrual for interest expense	8,732	25,619
Accrual for staff cost	36,683	50,435
Due to directors (non-trade)	1,270	2,341
Deferred income	6,015	6,846
Deferred government grant	15,379	16,189
Rental from customers	6,227	12,841
Other payables	166,018	120,671
	<u>1,356,514</u>	<u>1,562,339</u>

Notes:

¹Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases when the goods are collected by the customers.

9. This represents the Group's future estimated obligation to acquire the remaining 20% interest in Aoyu Steel.

1(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 30/06/2014	As at 31/12/2013
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
594,931	1,089,777	1,056,136	719,969

Amount repayable after one year

As at 30/06/2014	As at 31/12/2013
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
515,659	262,449	200,000	663,789

Details of any collateral

The Group's borrowings are secured by certain property, plant and equipment of the Group.

As at 30 June 2014, the Group's bank borrowings of approximately RMB893.1 million (2013: RMB 1,134.0 million) were guaranteed by third parties. In return, the Group has provided guarantees to banks for borrowings of these third parties amounted to approximately RMB673.7 million.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Note	The Group			
		2 nd Quarter Ended		Half Year Ended	
		30/06/2014	30/06/2013	30/06/2014	30/06/2013
		RMB '000	RMB '000	RMB '000	RMB '000
Cash flows from operating activities:					
Profit/(Loss) after income tax		74,367	(13,505)	8,058	33,937
Adjustments for:					
Depreciation		122,356	116,902	236,767	250,291
Amortisation of intangible asset		1,440	1,440	2,880	2,880
Loss on disposal of property, plant and equipment		8,864	1,979	9,152	3,876
Fair value loss on financial assets, fair value through profit or loss		(25)	111	(23)	149
Gain on disposal of financial assets, fair value through profit or loss		(15)	-	(15)	-
Fair value loss on convertible shares		123	14,921	(68)	19,543
Exchange loss on convertible shares		(148)	(1,919)	(445)	(4,187)
Fair value changes on purchase considerable payable		3,844	755	2,560	2,708
Interest income		(21,544)	(23,175)	(39,011)	(39,706)
Interest expense		59,727	43,920	117,496	98,602
Income tax expense		13,247	9,265	15,110	26,398
Unrealised currency translation (gain)/loss		2,721	2,468	6,095	8,124
Operating cash flow before working capital changes		264,957	153,162	358,556	402,615
Bank balances pledged		277,174	19,094	(77,356)	(185,981)
Receivables		37,662	(275,023)	215,335	458,029
Inventories		49,294	53,007	262,981	102,274
Payables		(109,991)	232,174	282,252	(439,013)
		254,139	29,252	683,212	(64,691)
Cash used in operating activities		519,096	182,414	1,041,768	337,924
Income tax paid		(49,362)	(17,917)	(47,824)	(74,799)
Net cash provided by operating activities		469,734	164,497	993,944	263,125
Cash flows from investing activities:					
Payments for property, plant and equipment		(419,554)	(93,503)	(498,328)	(196,476)
Purchase of available-for-sale financial assets		(37,109)	(200,000)	(70,588)	(273,700)
Proceeds from disposal of property, plant and equipment		-	248	225	248
Proceeds from disposal of available-for-sale financial assets		-	29,200	-	9,200
Proceeds from disposal of financial assets, fair value through profit or loss		442	-	442	-
Investment in a joint venture		-	-	(4,900)	-
Capital contribution by non-controlling interest		59,690	-	59,690	-
Interest received		21,544	23,175	39,011	39,706
Net cash used in investing activities		(374,987)	(240,880)	(474,448)	(421,022)
Cash flows from financing activities:					
Proceeds from borrowings		76,120	383,521	556,703	1,418,538
Repayment of borrowings		(257,052)	(348,423)	(733,547)	(1,219,555)
Redemption of convertible shares		-	(79,874)	-	(79,874)
Interest paid		(59,580)	(42,260)	(117,204)	(93,526)
Net cash (used in)/provided by financing activities		(240,512)	(87,036)	(294,048)	25,583
Net (decrease)/increase in cash and cash equivalents		(145,765)	(163,419)	225,448	(132,314)
Cash and cash equivalents at beginning of the period		744,919	673,999	373,706	642,894
Cash and cash equivalents at end of the period		599,154	510,580	599,154	510,580

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	Capital reserve	Fair value reserve	Translation reserve	Statutory reserve	Retained earnings	Total	Capital reserve	Non-controlling interest	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2014	405,147	253,324	(8,869)	6,587	141,072	1,790,849	2,588,110	(90,385)	115,729	2,613,454
Issue of shares pursuant to exercise of convertible shares	628	(628)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	3,384	(4,589)	-	(65,025)	(66,230)	-	(1,284)	(67,514)
Balance as at 31 March 2014	405,775	252,696	(5,485)	1,998	141,072	1,725,824	2,521,880	(90,385)	114,445	2,545,940
Total comprehensive income/(loss) for the period	-	-	(5,870)	(152)	-	71,185	65,163	-	3,182	68,345
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	59,690	59,690
Balance as at 30 June 2014	405,775	252,696	(11,355)	1,846	141,072	1,797,009	2,587,043	(90,385)	177,317	2,673,975

The Group	Share capital	Capital reserve	Translation reserve	Statutory reserve	Retained earnings	Total	Capital reserve	Non-controlling interest	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2013	405,147	249,218	(3,700)	141,072	1,792,333	2,584,070	(90,385)	110,125	2,603,810
Total comprehensive income for the period	-	-	3,131	-	45,489	48,620	-	1,953	50,573
Balance as at 31 March 2013	405,147	249,218	(569)	141,072	1,837,822	2,632,690	(90,385)	112,078	2,654,383
Total comprehensive income/(loss) for the period	-	-	5,005	-	(14,260)	(9,255)	-	755	(8,500)
Balance as at 30 June 2013	405,147	249,218	4,436	141,072	1,823,562	2,623,435	(90,385)	112,833	2,645,883

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2014	2,110,983	253,324	(130,533)	2,233,774
Issue of shares pursuant to exercise of convertible shares	628	(628)	-	-
Total comprehensive income for the period	-	-	3,485	3,485
Balance as at 31 March 2014	2,111,611	252,696	(127,048)	2,237,259
Total comprehensive income for the period	-	-	(544)	(544)
Balance as at 30 June 2014	2,111,611	252,696	(127,592)	2,236,715

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2013	2,110,983	249,218	(107,113)	2,253,088
Total comprehensive loss for the period	-	-	(12,714)	(12,714)
Balance as at 31 March 2013	2,110,983	249,218	(119,827)	2,240,374
Total comprehensive loss for the period	-	-	(22,732)	(22,732)
Balance as at 30 June 2013	2,110,983	249,218	(142,559)	2,217,642

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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 2nd Quarter Ended	30/06/2014	30/06/2013
Number of ordinary shares as at 1 April	550,718,995	550,437,849
Shares arising from the conversion of convertible shares	-	-
Number of ordinary shares as at 30 June	550,718,995	550,437,849

Convertible Shares as at	30/06/2014	30/06/2013
Number of shares that may be issued on conversion of all outstanding convertible shares	3,081,799	9,688,743

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable

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 reviewed or audited by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not Applicable

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 2013.

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			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit /(loss) attributable to equity holders of the Company	71,185	(14,260)	6,157	31,229
Basic earnings/(loss) per share (in RMB)	0.13	(0.03)	0.01	0.06
Diluted earnings/(loss) per share (in RMB)	0.13	(0.03)	0.01	0.06
Weighted average no. of shares outstanding for basic earnings per share	550,518,995	550,437,849	550,650,650	550,437,849
Weighted average no. of shares outstanding for diluted earnings per share	553,800,794	560,126,592	553,732,449	560,126,592

Explanatory Notes:

Basic earnings/(loss) per share is calculated based on the weighted average number of shares in issue during the period under review.

Diluted earnings/(loss) per share is calculated based on the weighted average number of shares in issue during the period under review after adjusting to include the dilutive effect of all dilutive potential ordinary shares, e.g., convertible shares.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	The Group		The Company	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Net Asset Value per share (RMB)	4.70	4.70	4.06	4.06

The net asset value per share of the Group and Company is calculated based on 550,437,849 and 550,718,995 ordinary shares in issue as at 31 December 2013 and 30 June 2014, respectively.

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**

(a) Financial Review for the second quarter and six months ended 30 June 2014

2Q2014 vs 2Q2013

Revenue

Group revenue decreased by RMB120.5 million or 4.6% from RMB2,637.1 million in 2Q2013 to RMB2,516.6 million in 2Q2014. The decrease in revenue was principally attributed to a decrease in the average selling prices and sales volume of Hot Rolled Coils ("HRC"). This was mainly due to the continued weak operating environment and intense competition in the steel industry in PRC in 2Q2014 as compared to the previous corresponding period.

In 2Q2014, the Group sold 660,601 tonnes of HRC and 186,763 tonnes of steel billets as compared to 693,873 tonnes of HRC and 182,832 tonnes of steel billets in 2Q2013. Overall sales quantity decreased by 29,341 tonnes or 3.3%.

Cost of sales

Total cost of sales decreased by RMB269.8 million or 10.6%, from RMB2,555.4 million in 2Q2013 to RMB2,285.6 million in 2Q2014. The decrease was primarily due to a significant decrease in prices of raw materials. This was also due to lower sales volume in 2Q2014 compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB149.3 million or 182.8%, from RMB81.7 million in 2Q2013, to RMB231.0 million in 2Q2014.

Gross profit margin increased by 6.1 percentage points, from 3.1% in 2Q2013, to 9.2% in 2Q2014. The increase was primarily due to the decrease in prices of raw materials, which significantly outpaced the decrease in average selling prices of products sold in 2Q2014.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB5.7 million, from RMB3.1 million in 2Q2013, to 8.8 million in 2Q2014. The increase was primarily due to the increase in transportation costs incurred in 2Q2014 as compared to the previous corresponding period.

Administrative expenses

Administrative expenses increased by RMB18.7 million, from RMB63.9 million in 2Q2013 to RMB82.6 million in 2Q2014. The increase in administrative expenses was primarily due to higher sewage and environmental impact assessment fee in 2Q2014 as well as pre-operating expenses incurred for a new set up in Thailand.

Finance expenses

Finance expenses increased by RMB15.8 million from RMB43.9 million in 2Q2013 to RMB59.7 million in 2Q2014. The increase was mainly due to the increase in interest rates on bank borrowings in 2Q2014 compared to the previous corresponding period.

Net Profit/(Loss)

As a result of higher operating profit and after taking into account taxation and non-controlling interest, the Group reported a net profit of RMB71.2 million in 2Q2014, reversing from a net loss of RMB14.3 million in 2Q2013. The net profit margin was 3.0% in 2Q2014.

1H2014 vs 1H2013**Revenue**

Group revenue decreased by RMB945.1 million or 16.2%, from RMB5,847.8 million in 1H2013, to RMB4,902.7 million in 1H2014. The decrease in revenue was principally attributed to lower sales volume arising from weaker demand of HRC and steel billets as well as a decrease in the average selling prices of products sold in 1H2014 compared to the previous corresponding period.

In 1H2014, the Group sold 1,206,945 tonnes of HRC and 440,452 tonnes of steel billets as compared to 1,380,305 tonnes of HRC and 469,332 tonnes of steel billets in 1H2013. Overall sales quantity decreased by 202,240 tonnes or 10.9%.

Cost of sales

Total cost of sales decreased by RMB964.8 million or 17.2%, from RMB5,613.4 million in 2Q2013 to RMB4,648.6 million in 2Q2014. The decrease was in line with lower volume of products sold as well as a decrease in raw materials prices in 1H2014 compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB19.8 million or 8.4%, from RMB234.3 million in 1H2013, to RMB254.1 million in 1H2014.

Gross profit margin increased by 1.2 percentage points, from 4.0% in 1H2013 to 5.2% in 1H2014. The increase was primarily due to the decrease in raw materials prices in 1H2014 which outpaced the decrease in average selling prices of products sold.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB5.9 million, from RMB6.3 million in 1H2013, to RMB12.2 million in 1H2014. The increase in distribution and marketing expenses was primarily due to higher port charges and transportation costs in 1H2014 as compared to the previous corresponding period.

Administrative expenses

Administrative expenses increased by RMB21.4 million, from RMB120.1 million in 1H2013, to RMB141.5 million in 1H2014. The increase was primarily due to higher sewage and environmental impact assessment fee incurred in 1H2014 as well as the overall increase in general administrative expenses.

Finance expenses

Finance expenses increased by RMB18.9 million from RMB98.6 million in 1H2013 to RMB117.5 million in 1H2014. The increase was mainly due to overall higher interest rates on bank borrowings in 1H2014 compared to the previous corresponding period.

Net profit

After taking into account taxation and non-controlling interest, the Group's net profit attributable to shareholders decreased by RMB25.0 million or 80.3%, from RMB31.2 million in 1H2013, to RMB6.2 million in 1H2014. The decrease was due to lower operating profit in 1Q2014.

(b) Review of balance sheet of the Group as at 30 June 2014**Current assets**

Current assets increased by RMB87.3 million, from RMB3,774.3 million as at 31 December 2013 to RMB3,861.6 million as at 30 June 2014. The increase was primarily attributable to the increase in bank balances pledged for the issuance of notes payable and the increase in notes receivables as the Group did not make early redemptions of the notes due to improved cash flow position during the period under review.

The increase was partially offset by a decrease in advance payments made to suppliers for the purchase of raw materials due to volatility in raw materials prices, and a decrease in inventories as a result of better inventory management.

Current liabilities

Current liabilities increased by RMB164.8 million, from RMB3,838.0 million as at 31 December 2013 to RMB4,002.8 million as at 30 June 2014, primarily due to an increase in notes payables for payment to creditors and suppliers during the period under review.

The increase was partially offset by the decrease in overall trade and other payables

The increase in notes payables was mainly due to the Group's adoption of a more cost effective model of issuing notes payables for payments to suppliers at a lower financing cost instead of issuing letters of credit to suppliers.

Working capital

The negative working capital position was RMB141.2 million as at 30 June 2014. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure and working capital purposes.

Although the Group was in a negative working capital position, it was able to service all of its debt obligations primarily through cash generated from operations.

The Group has satisfactorily maintained its credit facilities with financial institutions in the PRC during the period under review and the credit facilities have constantly been renewed and/or rolled-over by these financial institutions.

Non-current assets – Property, plant and equipment

Property, plant and equipment increased by RMB241.3 million, from RMB2,841.0 million as at 31 December 2013 to RMB3,082.3 million as at 30 June 2014. The increase was primarily due to the technological enhancement programmes at Aoyu Steel and energy-saving emission reduction projects in Delong Steel as well as the construction in progress in relation to a new plant in Delong (Thailand) Co., Ltd, the Group's 55% -owned subsidiary incorporated in January 2014.

The increase was partially offset by depreciation charges provided on the property, plant and equipment for the period under review.

Non-current liabilities

Non-current liabilities decreased by RMB90.1 million, from RMB898.4 million as at 31 December 2013 to RMB808.3 million as at 30 June 2014, primarily due to repayment of long-term bank borrowings during the period under review.

(c) Review of cash flow statement of the Group

2Q2014 vs 2Q2013

Net Cash Generated From Operating Activities

Operating cash flow before working capital changes, increased by RMB111.8 million, from RMB153.2 million in 2Q2013, to RMB265.0 million in 2Q2014, attributable mainly to the increase in operating profit. Net cash provided by working capital increased by RMB224.8 million, from RMB29.3 million in 2Q2013 to RMB254.1 million in 2Q2014, attributable to the decrease in bank balances pledged and advance payments to suppliers of raw materials and partially offset by the increase in payments to creditors and suppliers.

After taking into account of the net cash provided by working capital and income tax paid of RMB49.4 million, the net cash inflow from operating activities was RMB469.7 million in 2Q2014.

Net Cash Used In Investing Activities

Net cash used in investing activities was RMB375.0 million in 2Q2014. This comprised principally payments for the technical enhancement programmes at Aoyu Steel which was completed in May 2014 and energy-saving emission reduction projects. This was partially offset by the capital contribution by non-controlling interest in Delong (Thailand) Co., Ltd and interest received from the financial institutions.

Net Cash Used In Financing Activities

Net cash used in financing activities was RMB240.5 million in 2Q2014. This was mainly attributable to the drawdown of short-term loans of RMB76.1 million for working capital, loan principal and interest repayments of RMB316.6 million.

1H2014 vs 1H2013

Net Cash Generated From Operating Activities

Operating cash flow before working capital changes, decreased by RMB44.0 million, from RMB402.6 million in 1H2013, to RMB358.6 million in 1H2014, attributable mainly to the decrease in operating profit. Net cash provided by working capital increased by RMB747.9 million, attributable mainly to the decrease in advance payments to suppliers and the decrease in inventories as a result of better inventory management and the increase in notes payables.

After taking into account of the net cash used for working capital and income tax paid of RMB47.8 million, the net cash inflow from operating activities was RMB993.9 million in 1H2014.

Net Cash Used In Investing Activities

Net cash used in investing activities was RMB474.4 million in 1H2014. This comprised principally the payments for the technological enhancement programmes at Aoyu Steel and energy-saving emission reduction projects during the period under review. The Group also invested RMB70.6 million in Harvest Fund Management during the period under review.

This was partially offset by the capital injection by non-controlling interest in Delong (Thailand) Co., Ltd and interest received from the banks.

Net Cash Used In Financing Activities

Net cash used in financing activities was RMB294.0 million in 1H2014. This was mainly attributable to the drawdown of short-term loans of RMB556.7 million for working capital, loan principal and interest repayments of RMB850.8 million.

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

The overall PRC economy has reported marginal recovery in the second quarter with GDP at 7.5%, and the latest statistics from the China Iron and Steel Association reported a 0.4% improvement in steel demand for the first half of 2014 to 376 million tonnes.

However, the Board is of the view that the near-term operating outlook will remain very challenging as slow demand and excess capacity continues to exert downward pressures on steel prices, which is exacerbated by mounting environmental concerns over pollution caused by industrial activities in the PRC.

Notwithstanding the market challenges, the Group remains committed to the sustainable growth of its operations over the long-term, and will continue to pursue business opportunities from industrial end-users in the infrastructure, automotive, shipbuilding and property construction sectors.

The Group will also remain vigilant in its cost control and inventory management efforts.

The Group is also pleased to update that the 8-month technological enhancement at Aoyu steel has been completed in May 2014. The technological enhancement, which equips Aoyu Steel with HRC manufacturing facilities, is expected to have a positive impact on the Group's financial performance for the financial year ending 31 December 2014.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable and Book Closure Date

N.A.

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 second quarter 30 June 2014.

13. Interested person transactions

No interested person transactions mandate has been obtained.

Aggregate value of interested person transactions entered from 1 January 2014 to 30 June 2014.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	1H2014 RMB'000	1H2013 RMB'000	1H2014 RMB'000	1H2013 RMB'000
<u>Sales Transactions</u> *Hebei Delong Modern Special Tube Manufacturing Co., Ltd	-	321	-	-

* The company is owned by Mr Ding Liguo and his spouse, Madam Zhao Jing.

PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2,Q3 or Half Year Results)

14. **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

15. **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

16. **A breakdown of Sales**

N.A

17. **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