



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

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**UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2015**

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## **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 first quarter ended 31 March 2015 to be false or misleading in any material respect.

On behalf of the Board of Directors

**Mr. Ding Ligu**  
**Chairman**

**Mr. Zuo Shuwen**  
**Executive Director**

**Singapore**  
**8 May 2015**

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.**

		The Group		
		1 <sup>st</sup> Quarter Ended		Increase
		31/03/2015	31/03/2014	(Decrease)
Note		RMB'000	RMB'000	%
	<b>Sales</b>	1,629,442	2,386,105	(31.7)
	Cost of sales	(1,611,194)	(2,362,985)	(31.8)
	<b>Gross Profit</b>	<b>18,248</b>	<b>23,120</b>	<b>(21.1)</b>
	Other income	23,755	18,700	27.0
	Other (loss)/gains-net	(7,217)	13,769	n.m
	<b>Expenses</b>			
	-Distribution and marketing	(19,383)	(3,362)	476.5
	-Administrative	(64,970)	(58,904)	10.3
	-Finance	(45,504)	(57,769)	(21.2)
	Share of loss of an associate	(48)	-	100.0
	<b>Loss before tax</b>	<b>(95,119)</b>	<b>(64,446)</b>	<b>47.6</b>
	Income tax expense	(4,387)	(1,863)	135.5
	<b>Net Loss</b>	<b>(99,506)</b>	<b>(66,309)</b>	<b>50.1</b>
	<b>Loss attributable to:</b>			
	Equity holders of the Company	<b>(82,317)</b>	<b>(65,025)</b>	26.6
	Non-controlling interest	<b>(17,189)</b>	<b>(1,284)</b>	n.m
		<b>(99,506)</b>	<b>(66,309)</b>	<b>50.1</b>
	<b>Net Loss</b>	<b>(99,506)</b>	<b>(66,309)</b>	<b>50.1</b>
	<b>Other comprehensive (loss)/income:</b>			
	Available-for-sale financial assets-			
	Fair value gain	(3,303)	3,384	n.m
	Currency translation differences	7,821	(4,589)	n.m
	<b>Other comprehensive income/(loss) for the period, net of tax</b>	4,518	(1,205)	n.m
	<b>Total comprehensive loss</b>	<b>(94,988)</b>	<b>(67,514)</b>	40.7
	<b>Total comprehensive loss attributable to:</b>			
	Equity holders of the Company	<b>(77,799)</b>	<b>(66,230)</b>	17.5
	Non-controlling interest	<b>(17,189)</b>	<b>(1,284)</b>	n.m
		<b>(94,988)</b>	<b>(67,514)</b>	<b>40.7</b>

**Notes:-**

1	Other income	The Group	
		1 <sup>st</sup> Quarter Ended	
		31/03/2015	31/03/2014
		RMB'000	RMB'000
	Government grants <sup>(a)</sup>	-	405
	Finance lease income	946	828
	Interest income <sup>(b)</sup>	22,809	17,467
		<u>23,755</u>	<u>18,700</u>

Notes:

- (a) Government grant received in recognition of the Group's technological improvement and environmental enhancement programmes in the PRC.
- (b) Interest earned on bank deposits, held to maturity financial assets, available-for-sale financial assets and entrusted loans to customers.

2	Other (loss)/gains-net	The Group	
		1 <sup>st</sup> Quarter Ended	
		31/03/2015	31/03/2014
		RMB'000	RMB'000
	Fair value loss on financial assets at fair value through profit or loss	-	(2)
	Currency translation (loss)/gain-net <sup>1</sup>	(6,319)	6,188
	Fair value gain on convertible shares	-	191
	Fair value changes on purchase consideration payable	15,443	1,284
	Loss on disposal of property, plant and equipment	(16,361)	(288)
	Others <sup>2</sup>	20	6,396
		<u>(7,217)</u>	<u>13,769</u>

<sup>1</sup>The currency translation loss was mainly due to the revaluation of intercompany balances denominated in S\$ which had weakened against RMB.

<sup>2</sup>Others comprised of sale of gas, oxygen, electricity, realization of fair value gain on other receivable and etc.

**3. Loss before tax includes the following items:-**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2015	31/03/2014
	RMB'000	RMB'000
Depreciation and amortization	122,073	115,851
Staff costs	88,583	102,561
Rental on operating lease	90	190

The increase in depreciation and amortization in 1Q2015 was due to an increase in capital expenditure.

**4. Income Tax Expense**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2015	31/03/2014
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	4,747	2,759
Deferred income tax	-	(673)
Adjustments in respect of the preceding financial years		
Current income tax	-	(42)
Deferred income tax	(360)	(181)
	<u>4,387</u>	<u>1,863</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 RMB '000		The Company RMB '000	
		As at 31/03/2015	As at 31/12/2014	As at 31/03/2015	As at 31/12/2014
<b>Current assets</b>					
Cash and cash equivalents		404,775	935,621	16,801	19,185
Bank balances pledged		580,523	1,322,112	-	-
Held-to-maturity financial assets	1	300,000	300,000	-	-
Trade and other receivables	2	611,544	642,232	149	23
Inventories	3	558,360	655,885	-	-
Other assets	4	659,090	601,105	1,187	704
<b>Total current assets</b>		<b>3,114,292</b>	<b>4,456,955</b>	<b>18,137</b>	<b>19,912</b>
<b>Non-current assets</b>					
Bank balances pledged		206,000	206,000	-	-
Trade and other receivables	5	23,888	29,736	212,118	220,774
Other assets	4	46,334	34,513	-	-
Available-for-sale financial assets	6	253,918	266,941	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in an associate	7	4,529	4,577	-	-
Property, plant and equipment		3,224,231	3,213,779	59	64
Intangible assets		11,520	12,960	-	-
Deferred tax assets		2,644	2,644	-	-
<b>Total non-current assets</b>		<b>3,773,064</b>	<b>3,771,150</b>	<b>2,197,093</b>	<b>2,205,754</b>
<b>Total assets</b>		<b>6,887,356</b>	<b>8,228,105</b>	<b>2,215,230</b>	<b>2,225,666</b>
<b>Current liabilities</b>					
Trade and other payables	8	1,268,338	1,502,295	3,362	4,861
Notes payables		839,900	1,761,250	-	-
Borrowings		1,323,382	1,403,521	24	13
Purchase consideration payable	9	98,071	113,514	-	-
<b>Total current liabilities</b>		<b>3,529,691</b>	<b>4,780,580</b>	<b>3,386</b>	<b>4,874</b>
<b>Non-current liabilities</b>					
Borrowings		638,051	632,563	-	14
Deferred income tax liabilities		25,637	25,997	-	-
<b>Total non-current liabilities</b>		<b>663,688</b>	<b>658,560</b>	<b>-</b>	<b>14</b>
<b>Total liabilities</b>		<b>4,193,379</b>	<b>5,439,140</b>	<b>3,386</b>	<b>4,888</b>
<b>Net Assets</b>		<b>2,693,977</b>	<b>2,788,965</b>	<b>2,211,844</b>	<b>2,220,778</b>
<b>Capital reserves and non-controlling interests</b>					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		2,199,474	2,277,273	99,364	108,298
Equity attributable to owners of the Company		2,606,118	2,683,917	2,211,844	2,220,778
Non-controlling interests		178,244	195,433	-	-
Capital reserve		(90,385)	(90,385)	-	-
<b>Total equity</b>		<b>2,693,977</b>	<b>2,788,965</b>	<b>2,211,844</b>	<b>2,220,778</b>

**Notes:**

## 1. Held-to-maturity financial assets

	The Group	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Bohai International Trust Co.,Ltd	100,000	100,000
Harvest Capital Management Co., Ltd	200,000	200,000
	<u>300,000</u>	<u>300,000</u>

The interest rate of the held-to –maturity financial assets ranges from 4.7% to 6.25% per annum and mature within 12 months.

## 2. Trade and other receivables - current

	The Group	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Finance lease receivables	27,647	20,025
Trade receivables <sup>(1)</sup>	65,543	56,518
Notes receivable	516,881	564,216
Due from Lai Yuan Bureau of finance	1,473	1,473
	<u>611,544</u>	<u>642,232</u>

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

## 3. Inventories

	The Group	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Raw materials	318,330	425,978
Work-in-progress	64,647	68,783
Finished goods	137,381	118,749
Production supplies	38,002	42,375
	<u>558,360</u>	<u>655,885</u>

The decrease in inventories was a result of better inventory management and lower raw materials prices during the period under review.

4. Other assets

	The Group	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Deposits	119	63
Prepayments	366,342	328,225
Entrusted loan to third parties	95,000	125,000
VAT and Tax recoverable	119,782	93,521
Others	124,181	88,809
	<u>705,424</u>	<u>635,618</u>
Analysed as:		
Current	659,090	601,105
Non-current	46,334	34,513
	<u>705,424</u>	<u>635,618</u>

Prepayments relate to deposits and advance payments made to suppliers for the purchase of raw materials, and plant and machinery.

5. Trade and other receivables – non-current

	The Group	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Finance lease receivables	1,221	7,069
Due from an investee company	22,667	22,667
	<u>23,888</u>	<u>29,736</u>

6. Available-for-sale financial assets

	The Group	
	31/03/2015	31/12/2014
	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	46,282	49,585
Shan Nan De Lian Heng Tong Investment Harvest Fund Management Co., Ltd <sup>1</sup>	83,500	83,500
	64,136	73,856
	<u>253,918</u>	<u>266,941</u>

Note:-

<sup>1</sup>The interest rate of the available-for-sale financial assets ranges from 4.5% to 6.63% per annum.

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

	The Group	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Trade payables to:		
- Third parties	502,894	693,044
VAT and other taxes payable	2,215	1,201
Payable to contractors for construction-in-progress	201,413	55,740
Advances from customers <sup>(1)</sup>	312,191	454,203
Other accrual for operating expenses	35,699	4,717
Accrual for interest expense	750	17,470
Accrual for staff cost	39,178	46,188
Due to directors (non-trade)	2,028	2,163
Deferred income	9,861	17,706
Deferred government grant	31,112	22,340
Rental from customers	12,165	4,629
Other payables	118,832	182,894
	<u>1,268,338</u>	<u>1,502,295</u>

Notes:

<sup>1</sup>Advances 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 31/03/2015	As at 31/12/2014
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
1,021,054	302,328	654,041	749,480

**Amount repayable after one year**

As at 31/03/2015	As at 31/12/2013
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
427,121	210,930	621,633	10,930

**Details of any collateral**

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

As at 31 March 2015, the Group's bank borrowings of approximately RMB1,107.2 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 RMB410.0 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**

	The Group	
	1 <sup>st</sup> Quarter Ended	
	31/03/2015	31/03/2014
	RMB '000	RMB'000
<b>Cash flows from operating activities:</b>		
Loss after income tax	(99,506)	(66,309)
Adjustments for:		
Income tax expense	4,387	1,863
Depreciation	120,633	114,411
Amortisation of intangible assets	1,440	1,440
Loss on disposal of property, plant and equipment	16,361	288
Fair value loss on financial assets, fair value through profit and loss	-	2
Fair value gain on convertible shares	-	(191)
Fair value changes on purchase consideration payable	(15,443)	(1,284)
Share of loss of an associate	48	-
Currency realignment difference on convertible shares	-	(297)
Interest income	(22,809)	(17,467)
Interest expense	45,504	57,769
Unrealised currency translation gain	6,553	3,374
	156,674	159,908
<b>Operating cash flow before working capital changes</b>	57,168	93,599
Bank balances pledged	741,587	(354,530)
Receivables	(41,885)	177,673
Inventories	97,525	213,687
Payables	(233,957)	(384,768)
	563,270	(347,938)
<b>Cash generated from/(used in) from operating activities</b>	620,438	(254,339)
Income tax (paid)/refund	(4,747)	1,538
<b>Net cash generated from/(used in) operating activities</b>	615,691	(252,801)
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment (“PPE”)	(146,181)	(78,774)
Proceeds from disposal of PPE	-	225
Purchase of available-for-sale financial assets	-	(33,479)
Proceeds from disposal of available-for-sale financial assets	9,720	-
Investment in an associate	-	(4,900)
Capital contribution by non-controlling interest	8,615	-
Interest received	22,809	17,467
<b>Net cash used in investing activities</b>	(105,037)	(99,461)
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	620,838	1,257,594
Repayment of borrowings	(1,616,834)	(476,495)
Interest paid	(45,504)	(57,624)
<b>Net cash (used in)/generated from financing activities</b>	(1,041,500)	723,475
<b>Net (decrease)/increase in cash and cash equivalents</b>	(530,846)	371,213
Cash and cash equivalents at beginning of the period	935,621	373,706
<b>Cash and cash equivalents at end of the period</b>	404,775	744,919

**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**

<b>The Group</b>	<b>Share Capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair value reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Non-controlling interest</b> RMB '000	<b>Total equity</b> RMB '000
<b>Balance as at 1 January 2015</b>	406,644	249,218	(10,855)	6,101	141,072	1,891,737	2,683,917	(90,385)	195,433	2,788,965
Total comprehensive income for the period	-	-	(3,303)	7,821	-	(82,317)	(77,799)	-	(17,189)	(94,988)
<b>Balance as at 31 March 2015</b>	406,644	249,218	(14,158)	13,922	141,072	1,809,420	2,606,118	(90,385)	178,244	2,693,977

<b>The Group</b>	<b>Share Capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair value reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Total</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Non-controlling interest</b> RMB '000	<b>Total equity</b> RMB '000
<b>Balance as at 1 January 2014</b>	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 for the period	-	-	3,384	(4,589)	-	(65,025)	(66,230)	-	(1,284)	(67,514)
<b>Balance as at 31 March 2014</b>	405,775	252,696	(5,485)	1,998	141,072	1,725,824	2,521,880	(90,385)	114,445	2,545,940

**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**

<b><u>The Company</u></b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Balance as at 1 January 2015</b>	2,112,480	249,218	(140,920)	2,220,778
Total comprehensive income for the period	-	-	(8,934)	(8,934)
<b>Balance as at 31 March 2015</b>	<u>2,112,480</u>	<u>249,218</u>	<u>(149,854)</u>	<u>2,211,844</u>

<b><u>The Company</u></b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Balance as at 1 January 2014</b>	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
<b>Balance as at 31 March 2014</b>	<u>2,111,611</u>	<u>252,696</u>	<u>(127,048)</u>	<u>2,237,259</u>

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

<b>Changes in the Share Capital of the Company for 1<sup>st</sup> Quarter Ended</b>	31/03/2015	31/03/2014
Number of ordinary shares as at 1 January	550,913,635	550,437,849
Shares arising from conversion of convertible shares	-	281,146
Number of ordinary shares as at 31 March	550,913,635	550,718,995

<b>Convertible Shares as at</b>	31/03/2015	31/03/2014
Number of shares that maybe issued on conversion of all outstanding convertible shares	-	3,081,799

The Company had fully redeemed its convertible shares in November 2014.

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 2014.

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	
	1 <sup>st</sup> Quarter Ended	
	31/03/2015	31/03/2014
	RMB'000	RMB'000
Net loss for the period	(82,317)	(65,025)
Basic loss per share (in RMB)	(0.15)	(0.12)
Diluted loss per share (in RMB)	(0.15)	(0.12)
Weighted average no. of shares outstanding for basic earnings per share ('000)	550,914	550,582
Weighted average no. of shares outstanding for diluted earnings per share ('000)	550,914	553,664

**Explanatory Notes:**

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

Diluted (loss)/ earnings 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 and convertible bonds.

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	
	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Net Asset Value per share (RMB)	4.73	4.87	4.01	4.03

Net asset value per share for the Group and Company is calculated based on 550,913,635 ordinary shares in issue as at 31 December 2014 and 31 March 2015.

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) **Review of income statement of the Group**

**1Q2015 vs 1Q2014**

**Revenue**

Group revenue decreased by RMB756.7 million or 31.7% from RMB2,386.1 million in 1Q2014 to RMB1,629.4 million in 1Q2015. The decrease in revenue was principally attributed to a significant decrease in the average selling prices of Hot Rolled Coils ("HRC") and lower sales volume due to low demand for the entire industry in 1Q2015.

In 1Q2015, the Group sold 734,337 tonnes of HRC and 116 tonnes of steel billets, compared to 546,344 tonnes of HRC and 250,039 tonnes of steel billets in 1Q2014. Overall sales quantity decreased by 61,930 tonnes or 7.8%.

Following the completion of the technical enhancement at Aoyu Steel in May 2014, which equipped Aoyu Steel with HRC manufacturing facilities, external sales of steel billets have been substantially reduced as steel billets manufactured have been channeled internally to manufacture HRC. HRC, a downstream product, typically enjoys higher prices and margins compared to steel billets.

**Cost of sales**

Total cost of sales decreased by RMB751.8 million or 31.8%, from RMB2,363.0 million in 1Q2014 to RMB1,611.2 million in 1Q2015. The decrease was primarily due to a significant decrease in prices of raw materials and lower sales volume in 1Q2015 as mentioned above compared to the previous corresponding period.

**Gross profit**

Gross profit decreased by RMB4.9 million or 21.1% from RMB23.1 million in 1Q2014 to RMB18.2 million in 1Q2015.

Gross profit margin was 1.0% and 1.1% in 1Q2014 and 1Q2015, respectively. The marginal increase was primarily due to the decrease in prices of raw materials, which outpaced the decrease in average selling prices of products sold in 1Q2015.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB16.0 million, from RMB3.4 million in 1Q2014, to RMB19.4 million in 1Q2015. This was mainly due to higher transportation costs incurred as the Group started to offer and provide delivery of products to certain customers in view of the intense competition in the steel industry.

**Administrative expenses**

Administrative expenses increased by RMB6.1 million, from RMB58.9 million in 1Q2014 to RMB65.0 million in 1Q2015. The increase was primarily due to the consolidation of administrative expenses from Delong (Thailand) Co., Ltd, a 55%-owned subsidiary incorporated in January 2014.

**Finance expenses**

Finance expenses decreased by RMB12.3 million from RMB57.8 million in 1Q2014 to RMB45.5 million in 1Q2015. The decrease was mainly due to a decrease in bank borrowings drawn down for working capital purposes in 1Q2015 compared to the previous corresponding period.

**Net loss**

As a result of lower operating profit and after taking into account taxation and non-controlling interest, the Group reported a net loss of RMB82.3 million in 1Q2015 compared to a net loss of RMB65.0 million in 1Q2014.

**(b) Review of balance sheet of the Group as at 31 March 2015****Current assets**

Current assets decreased by RMB1,342.7 million, from RMB4,457.0 million as at 31 December 2014 to RMB3,114.3 million as at 31 March 2015, primarily due to the decrease in bank balances pledged as security for the issuance of notes payables as well as the decrease in inventories and cash and cash equivalents during the period under review.

The decrease was partially offset by an increase in advance payments made to contractors for the technological enhancement programmes to upgrade production facilities in Delong Steel.

**Current liabilities**

Current liabilities decreased by RMB1,250.9 million, from RMB4,780.6 million as at 31 December 2014 to RMB3,529.7 million as at 31 March 2015, primarily due to an overall decrease in trade and other payables and notes payables during the period under review.

**Working capital**

The negative working capital position was RMB415.4 million as at 31 March 2015. 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 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 RMB10.4 million, from RMB3,213.8 million as at 31 December 2014 to RMB3,224.2 million as at 31 March 2015. The increase was primarily due to the technological and environmental enhancement programmes at Delong Steel as well as the construction in progress in relation to a new plant in Thailand – Delong (Thailand) Co., Ltd. This 55%-owned subsidiary was 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 increased by RMB5.1 million, from RMB658.6 million as at 31 December 2014 to RMB663.7 million as at 31 March 2015, primarily due to the increase in long term bank borrowings during the period under review.

### **(c) Review of cash flow statement of the Group**

#### **1Q2015 vs 1Q2014**

##### **Net Cash Used In Operating Activities**

Operating cashflow before working capital changes decreased by RMB36.4 million, from RMB93.6 million in 1Q2014 to RMB57.2 million in 1Q2015, primarily due to the increase in operating loss. Cash from operating activities increased by RMB874.7 million from a negative position of RMB254.3 million in 1Q2014 to a positive position of RMB620.4 million in 1Q2015, attributable mainly to the decrease in bank balances pledged as security for the issuance of notes payables during the period under review.

##### **Net Cash Used in Investing Activities**

Net cash used in investing activities was RMB105.0 million in 1Q2015. This comprised principally the progress payments for the technical enhancements to upgrade production facilities in Delong Steel Limited as well as the construction in progress in relation to a new plant at Delong (Thailand) Co., Ltd, a 55%-owned subsidiary.

The decrease 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 RMB1,041.5 million in 1Q2015. This was mainly attributable to repayment of bank borrowings, including notes payable during the period under review.

### **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 issued a profit guidance on 30 April 2015 that the Company would report a net loss for the three months ended 31 March 2015.

**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 Group expects its operating environment to remain difficult in the face of decelerating economic growth in the People's Republic of China ("PRC") and slowing demand for steel. The World Steel Association recently commented that steel demand in the PRC will continue to experience negative growth in both 2015 and 2016.

The tough operating environment is expected to be further compounded by the unresolved production glut, which is contributing to intensifying market competition and price competition amongst steel manufacturers. This will continue to create margin pressures for industry players.

Mounting concerns over industrial pollution in the PRC and the ongoing haze issue will also continue to affect the steel industry in terms of production and steel transportation. To be in line with the industry's rising environmental standards, the Group has continually invested in technological upgrades and enhancements to reduce emission, improve energy efficiency and waste resource utilisation.

In view of the above, the Group maintains a cautious outlook over the short and medium term and will continue to practice prudent cost management while seeking viable opportunities to grow its businesses.

**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 first quarter 31 March 2015.

**13. Interested person transactions**

There was no interested party transaction for the financial period ended 31 March 2015.

**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 Liguo  
Executive Chairman