



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

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UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 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 second quarter ended 30 June 2015 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  
5 August 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.**

	Note	The Group					Increase (Decrease) %
		2 <sup>nd</sup> Quarter Ended		Increase (Decrease) %	Half Year Ended		
		30/06/2015 RMB'000	30/06/2014 RMB'000		30/06/2015 RMB'000	30/06/2014 RMB'000	
<b>Sales</b>		1,987,232	2,516,587	(21.0)	3,616,674	4,902,692	(26.2)
Cost of sales		(1,856,436)	(2,285,629)	(18.8)	(3,467,630)	(4,648,614)	(25.4)
<b>Gross Profit</b>		<b>130,796</b>	<b>230,958</b>	<b>(43.4)</b>	<b>149,044</b>	<b>254,078</b>	<b>(41.3)</b>
Other Income	1	21,591	22,538	(4.2)	45,042	41,238	9.2
Other losses-net	2	10,168	(14,767)	n.m	3,255	(998)	n.m
<b>Expenses</b>							
-Distribution and marketing		(18,834)	(8,834)	113.2	(38,217)	(12,196)	213.4
-Administrative		(66,372)	(82,554)	(19.6)	(131,342)	(141,458)	(7.2)
-Finance		(50,278)	(59,727)	(15.8)	(95,782)	(117,496)	(18.5)
Share of loss of an associate		(75)	-	n.m	(123)	-	n.m
<b>Profit/(loss) before tax</b>	3	26,996	87,614	(69.2)	(68,123)	23,168	n.m
Income tax expense	4	(2,156)	(13,247)	(83.7)	(6,543)	(15,110)	(56.7)
<b>Net Profit/(loss)</b>		<b>24,840</b>	<b>74,367</b>	<b>(66.6)</b>	<b>(74,666)</b>	<b>8,058</b>	<b>n.m</b>
<b>Profit/(loss) attributable to:</b>							
Equity holders of the Company		<b>32,380</b>	<b>71,185</b>	(54.5)	<b>(49,937)</b>	<b>6,157</b>	n.m
Non-controlling interest		<b>(7,540)</b>	<b>3,182</b>	n.m	<b>(24,729)</b>	<b>1,901</b>	n.m
		<b>24,840</b>	<b>74,367</b>	<b>(66.6)</b>	<b>(74,666)</b>	<b>8,058</b>	<b>n.m</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Net profit/(loss)</b>	<b>24,840</b>	<b>74,367</b>	<b>(66.6)</b>	<b>(74,666)</b>	<b>8,058</b>	<b>n.m</b>
<b>Other comprehensive income</b>						
Available-for-sale financial assets- Fair value gain	10,709	(5,870)	n.m	7,406	(2,486)	n.m
Currency translation differences	(9,763)	(152)	n.m	(1,942)	(4,738)	(59.0)
<b>Other comprehensive income/ (loss) for the period, net of tax</b>	946	(6,022)	n.m	5,464	(7,224)	n.m
<b>Total comprehensive income/(loss)</b>	<b>25,786</b>	<b>68,345</b>	<b>(62.3)</b>	<b>(69,202)</b>	<b>834</b>	<b>n.m</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	33,326	65,163	(48.9)	(44,473)	(1,067)	n.m
Non-controlling interest	(7,540)	3,182	n.m	(24,729)	1,901	n.m
	<b>25,786</b>	<b>68,345</b>	<b>(62.3)</b>	<b>(69,202)</b>	<b>834</b>	<b>n.m</b>

*nm-not meaningful*

## Notes to the Income Statements

### 1 Other Income

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant <sup>(a)</sup>	-	404	-	809
Finance lease income	202	590	844	1,418
Interest income	21,389	21,544	44,198	39,011
	<u>21,591</u>	<u>22,538</u>	<u>45,042</u>	<u>41,238</u>

Note:

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

### 2 Other losses-net

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	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	-	23
Currency translation gain/(loss)-net <sup>(a)</sup>	3,760	2,529	(2,559)	8,717
Fair value (loss)/gain on convertible shares <sup>(b)</sup>	-	(123)	-	68
Fair value changes on purchase considerable payable	4,709	(3,844)	20,152	(2,560)
Loss on disposal of property, plant and equipment ("PPE")	(5,845)	(8,864)	(22,206)	(9,152)
Others <sup>(c)</sup>	7,544	(4,505)	7,868	1,891
	<u>10,168</u>	<u>(14,767)</u>	<u>3,255</u>	<u>(998)</u>

Notes:

(a) The currency translation gain/loss was mainly due to the revaluation of bank balances and intercompany balances denominated in SGD, which strengthened/weakened against RMB for the second quarter ended 30 June 2015 ("2Q2015") and for the first half ended 30 June 2015 (1H2015), 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:-**

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization <sup>(a)</sup>	95,897	123,796	217,970	239,647
Staff costs <sup>(b)</sup>	87,164	83,775	175,747	186,336
Operating lease rental	90	209	180	399

Notes:

(a) The decrease in depreciation and amortization in 2Q2015 and 1H2015 was mainly due to certain assets have been fully depreciated.

(b) The decrease in staff costs in 1H2015 was mainly due to lower headcount and related costs.

**4. Income Tax Expense**

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	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	2,360	17,264	7,107	20,023
-Singapore	156	-	156	-
Deferred income tax	(360)	(3,970)	(720)	(4,824)
Adjustments in respect of the preceding financial years				
-Current income tax	-	(47)	-	(89)
	<u>2,156</u>	<u>13,247</u>	<u>6,543</u>	<u>15,110</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 30/06/2015	As at 31/12/2014	As at 30/06/2015	As at 31/12/2014
<b>Current assets</b>					
Cash and cash equivalents		886,328	935,621	13,771	19,185
Bank balances pledged		946,062	1,322,112	-	-
Held-to-maturity financial assets	1	300,000	300,000	-	-
Trade and other receivables	2	510,391	642,232	94	23
Inventories	3	561,459	655,885	-	-
Other assets	4	703,265	601,105	1,123	704
<b>Total current assets</b>		<b>3,907,505</b>	<b>4,456,955</b>	<b>14,988</b>	<b>19,912</b>
<b>Non-current assets</b>					
Bank balances pledged		206,000	206,000	-	-
Trade and other receivables	5	25,262	29,736	215,810	220,774
Other assets	4	56,164	34,513	-	-
Available-for-sale financial assets	6	217,261	266,941	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in an associate	7	4,454	4,577	-	-
Property, plant and equipment		3,267,678	3,213,779	62	64
Intangible assets		10,080	12,960	-	-
Deferred tax assets		2,644	2,644	-	-
<b>Total non-current assets</b>		<b>3,789,543</b>	<b>3,771,150</b>	<b>2,200,788</b>	<b>2,205,754</b>
<b>Total assets</b>		<b>7,697,048</b>	<b>8,228,105</b>	<b>2,215,776</b>	<b>2,225,666</b>
<b>Current liabilities</b>					
Trade and other payables	8	1,298,552	1,502,295	2,507	4,861
Notes payables		1,471,620	1,761,250	-	-
Borrowings		1,569,498	1,403,521	21	13
Purchase consideration payable	9	-	113,514	-	-
<b>Total current liabilities</b>		<b>4,339,670</b>	<b>4,780,580</b>	<b>2,528</b>	<b>4,874</b>
<b>Non-current liabilities</b>					
Borrowings		612,338	632,563	-	14
Deferred income tax liabilities		25,277	25,997	-	-
<b>Total non-current liabilities</b>		<b>637,615</b>	<b>658,560</b>	<b>-</b>	<b>14</b>
<b>Total liabilities</b>		<b>4,977,285</b>	<b>5,439,140</b>	<b>2,528</b>	<b>4,888</b>
<b>Net Assets</b>		<b>2,719,763</b>	<b>2,788,965</b>	<b>2,213,248</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		2,235,777	2,277,273	100,768	108,298
Equity attributable to owners of the Company		2,642,421	2,683,917	2,213,248	2,220,778
Non-controlling interests		77,342	195,433	-	-
Capital reserve		-	(90,385)	-	-
<b>Total equity</b>		<b>2,719,763</b>	<b>2,788,965</b>	<b>2,213,248</b>	<b>2,220,778</b>

**Notes:**

1. Held-to-maturity financial assets

	The Group	
	30/06/2015	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	
	30/06/2015	31/12/2014
	RMB'000	RMB'000
Finance lease receivables	20,899	20,025
Trade receivables <sup>(1)</sup>	44,331	56,518
Notes receivable	445,161	564,216
Due from Lai Yuan Bureau of finance	-	1,473
	<u>510,391</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	
	30/06/2015	31/12/2014
	RMB'000	RMB'000
Raw materials	257,202	425,978
Work-in-progress	81,802	68,783
Finished goods	182,491	118,749
Production supplies	39,964	42,375
	<u>561,459</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	
	30/06/2015	31/12/2014
	RMB'000	RMB'000
Deposits	134	63
Prepayments	389,783	328,225
Entrusted loan to third parties	125,000	125,000
VAT and Tax recoverable	134,172	93,521
Others	110,340	88,809
	<u>759,429</u>	<u>635,618</u>
Analysed as:		
Current	703,265	601,105
Non-current	56,164	34,513
	<u>759,429</u>	<u>635,618</u>

Prepayments comprised deposits and advance payments made to suppliers for the purchase of raw materials, and plant and machinery as well as prepayments for rent of premises.

5. Trade and other receivables – non-current

	The Group	
	30/06/2015	31/12/2014
	RMB'000	RMB'000
Finance lease receivables	2,595	7,069
Due from an investee company	22,667	22,667
	<u>25,262</u>	<u>29,736</u>

6. Available-for-sale financial assets

	The Group	
	30/06/2015	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	56,991	49,585
Shan Nan De Lian Heng Tong Investment Harvest Fund Management Co., Ltd <sup>1</sup>	83,500	83,500
	16,770	73,856
	<u>217,261</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	
	30/06/2015 RMB'000	31/12/2014 RMB'000
Trade payables to:		
- Third parties	511,190	693,044
VAT and other taxes payable	-	1,201
Payable to contractors for construction-in-progress	321,013	55,740
Advances from customers <sup>(1)</sup>	179,801	454,203
Other accrual for operating expenses	25,954	4,717
Accrual for interest expense	274	17,470
Accrual for staff cost	27,682	46,188
Due to directors (non-trade)	1,161	2,163
Deferred income	1,563	17,706
Deferred government grant	31,077	22,340
Rental from customers	5,597	4,629
Other payables	193,240	182,894
	<u>1,298,552</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 (the "Balance Equity").

The acquisition of the Balance Equity was completed on 5 May 2015.



**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 30/06/2015	As at 31/12/2014
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
881,279	688,219	654,041	749,480

**Amount repayable after one year**

As at 30/06/2015	As at 31/12/2014
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
501,408	110,930	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 30 June 2015, the Group's bank borrowings of approximately RMB1,104.7 million (2014: RMB 1,102.8 million) were guaranteed by third parties. In return, the Group has provided guarantees to banks for borrowings of these third parties amounted to approximately RMB260.0 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**

	Note	The Group			
		2 <sup>nd</sup> Quarter Ended		Half Year Ended	
		30/06/2015	30/06/2014	30/06/2015	30/06/2014
		RMB '000	RMB '000	RMB '000	RMB '000
<b>Cash flows from operating activities:</b>					
Profit/(Loss) after income tax		24,840	74,367	(74,666)	8,058
Adjustments for:					
Depreciation		94,457	122,356	215,090	236,767
Amortisation of intangible asset		1,440	1,440	2,880	2,880
Loss on disposal of property, plant and equipment		5,845	8,864	22,206	9,152
Fair value loss on financial assets, fair value through profit or loss		-	(25)	-	(23)
Gain on disposal of financial assets, fair value through profit or loss		-	(15)	-	(15)
Fair value loss on convertible shares		-	123	-	(68)
Exchange loss on convertible shares		-	(148)	-	(445)
Fair value changes on purchase considerable payable		(4,709)	3,844	(20,152)	2,560
Share of loss of an associate company		75	-	123	-
Interest income		(21,389)	(21,544)	(44,198)	(39,011)
Interest expense		50,278	59,727	95,782	117,496
Income tax expense		2,156	13,247	6,543	15,110
Unrealised currency translation (gain)/loss		(1,237)	2,721	5,316	6,095
		126,916	190,590	283,590	350,498
<b>Operating cash flow before working capital changes</b>		151,756	264,957	208,924	358,556
Bank balances pledged		(365,537)	277,174	376,050	(77,356)
Receivables		(21,302)	37,662	(63,187)	215,335
Inventories		(3,099)	49,294	94,426	262,981
Payables		97,290	(569,452)	(136,667)	(177,209)
		(292,648)	(205,322)	270,622	223,751
<b>Cash (used in)/provided by operating activities</b>		(140,892)	59,635	479,546	582,307
Income tax paid		(2,516)	(49,362)	(7,263)	(47,824)
<b>Net cash (used in)/provided by operating activities</b>		(143,408)	10,273	472,283	534,483
<b>Cash flows from investing activities:</b>					
Payments for property, plant and equipment		(152,272)	(419,554)	(298,453)	(498,328)
Purchase of available-for-sale financial assets		-	(37,109)	-	(70,588)
Proceeds from disposal of property, plant and equipment		-	-	-	225
Proceeds from disposal of available-for-sale financial assets		47,366	-	57,086	-
Proceeds from disposal of financial assets, fair value through profit or loss		-	442	-	442
Investment in an associate		-	-	-	(4,900)
Acquisition of the remaining 20% stake in Aoyu Steel		(93,362)	-	(93,362)	-
Capital contribution by non-controlling interest		-	59,690	8,615	59,690
Interest received		21,389	21,544	44,198	39,011
<b>Net cash used in investing activities</b>		(176,879)	(374,987)	(281,916)	(474,448)
<b>Cash flows from financing activities:</b>					
Proceeds from borrowings		931,329	535,581	1,552,167	1,016,164
Repayment of borrowings		(79,211)	(257,052)	(1,696,045)	(733,547)
Interest paid		(50,278)	(59,580)	(95,782)	(117,204)
<b>Net cash provided by/(used in) financing activities</b>		801,840	218,949	(239,660)	165,413
<b>Net increase/(decrease) in cash and cash equivalents</b>		481,553	(145,765)	(49,293)	225,448
Cash and cash equivalents at beginning of the period		404,775	744,919	935,621	373,706
<b>Cash and cash equivalents at end of the period</b>		886,328	599,154	886,328	599,154

**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
Total comprehensive income for the period	-	-	10,709	(9,763)	-	32,380	33,326	-	(7,540)	25,786
Acquisition of the remaining 20% stake in Aoyu Steel	-	2,977	-	-	-	-	2,977	90,385	(93,362)	-
<b>Balance as at 30 June 2015</b>	406,644	252,195	(3,449)	4,159	141,072	1,841,800	2,642,421	-	77,342	2,719,763

<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/(loss) 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
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
<b>Balance as at 30 June 2014</b>	405,775	252,696	(11,355)	1,846	141,072	1,797,009	2,587,043	(90,385)	177,317	2,673,975

**The Company**

**Balance as at 1 January 2015**

Total comprehensive income for the period

**Balance as at 31 March 2015**

Total comprehensive income for the period

**Balance as at 30 June 2015**

<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
RMB '000	RMB '000	RMB '000	RMB '000
2,112,480	249,218	(140,920)	2,220,778
-	-	(8,934)	(8,934)
2,112,480	249,218	(149,854)	2,211,844
-	-	1,404	1,404
2,112,480	249,218	(148,450)	2,213,248

**The Company**

**Balance as at 1 January 2014**

Issue of shares pursuant to exercise of convertible shares

Total comprehensive income for the period

**Balance as at 31 March 2014**

Total comprehensive income for the period

**Balance as at 30 June 2014**

<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
RMB '000	RMB '000	RMB '000	RMB '000
2,110,983	253,324	(130,533)	2,233,774
628	(628)	-	-
-	-	3,485	3,485
2,111,611	252,696	(127,048)	2,237,259
-	-	(544)	(544)
2,111,611	252,696	(127,592)	2,236,715

**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 2<sup>nd</sup> Quarter Ended</b>	<b>30/06/2015</b>	<b>30/06/2014</b>
Number of ordinary shares as at 1 April	550,913,635	550,718,995
Shares arising from the conversion of convertible shares	-	-
Number of ordinary shares as at 30 June	550,913,635	550,718,995

<b>Convertible Shares as at</b>	<b>30/06/2015</b>	<b>30/06/2014</b>
Number of shares that may be 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			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit /(loss) attributable to equity holders of the Company	32,380	71,185	(49,937)	6,157
Basic earnings/(loss) per share (in RMB)	0.06	0.13	(0.09)	0.01
Diluted earnings/(loss) per share (in RMB)	0.06	0.13	(0.09)	0.01
Weighted average no. of shares outstanding for basic earnings per share	550,913,635	550,518,995	550,913,635	550,650,650
Weighted average no. of shares outstanding for diluted earnings per share	550,913,635	553,800,794	550,913,635	553,732,449

**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	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Net Asset Value per share (RMB)	4.80	4.87	4.02	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 30 June 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) Financial Review for the second quarter and six months ended 30 June 2015**

**2Q2015 vs 2Q2014**

**Revenue**

Group revenue decreased by RMB529.4 million or 21.0% from RMB2,516.6 million in 2Q2014 to RMB1,987.2 million in 2Q2015. The decrease in revenue was principally attributed to a significant decrease in average selling prices of Hot Rolled Coils ("HRC") due to intensified price competition amongst steel manufacturers in the PRC during the period under review.

In 2Q2015, the Group sold 854,480 tonnes of HRC and 235 tonnes of steel billets as compared to 660,601 tonnes of HRC and 186,763 tonnes of steel billets in 2Q2014. Overall sales quantity increased by 7,351 tonnes or 0.9%.

Following the completion of the technical enhancement at Aoyu Steel in May 2014, which equipped Aoyu Steel with HRC manufacturing facilities, 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 RMB429.2 million or 18.8%, from RMB2,285.6 million in 2Q2014 to RMB1,856.4 million in 2Q2015. The decrease was primarily due to a significant decrease in prices of raw materials compared to the previous corresponding period, primarily due to rising iron ore supplies and weak demand from steel mills amid a slowing economy in China.

**Gross profit**

Gross profit decreased by RMB100.2 million or 43.4%, from RMB231.0 million in 2Q2014, to RMB130.8 million in 2Q2015.

Gross profit margin decreased by 2.6 percentage points, from 9.2% in 2Q2014, to 6.6% in 2Q2015. The decrease was primarily due to the decrease in average selling prices of products sold, which significantly outpaced the decrease in prices of raw materials in 2Q2015.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB10.0 million, from RMB8.8 million in 2Q2014, to RMB18.8 million in 2Q2015. 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 decreased by RMB16.2 million, from RMB82.6 million in 2Q2014 to RMB66.4 million in 2Q2015. The decrease in administrative expenses was primarily due to lower sewage and environmental impact assessment fee in 2Q2015 and an overall lower administrative expenses as a result of cost reduction efforts.

**Finance expenses**

Finance expenses decreased by RMB9.4 million from RMB59.7 million in 2Q2014 to RMB50.3 million in 2Q2015. The decrease was mainly due to the decrease in interest rates on bank borrowings in 2Q2015 compared to the previous corresponding period, following the PRC's central bank interest rate cuts since November 2014 to spur a slowing economy in China.

**Net Profit**

As a result of lower operating profit and after taking into account taxation and non-controlling interest, net profit decreased by RMB38.8 million from RMB71.2 million in 2Q2014, to RMB32.4 million in 2Q2015. The net profit margin decreased by 1.2 percentage points, from 2.8% in 2Q2014, to 1.6% in 2Q2015.

**1H2015 vs 1H2014****Revenue**

Group revenue decreased by RMB1,286.0 million or 26.2%, from RMB4,902.7 million in 1H2014, to RMB3,616.7 million in 1H2015. The decrease in revenue was principally attributed to a significant decrease in the average selling prices of HRC and lower sales volume due to low demand for the entire industry in 1H2015.

In 1H2015, the Group sold 1,588,817 tonnes of HRC and 351 tonnes of steel billets as compared to 1,206,945 tonnes of HRC and 440,452 tonnes of steel billets in 1H2014. Overall sales quantity decreased by 58,229 tonnes or 3.5%.

**Cost of sales**

Total cost of sales decreased by RMB1,181.0 million or 25.4%, from RMB4,648.6 million in 1H2014 to RMB3,467.6 million in 1H2015. The decrease was primarily due to a significant decrease in prices of raw materials and lower sales volume in 1H2015 as mentioned above compared to the previous corresponding period.

**Gross profit**

Gross profit decreased by RMB105.1 million or 41.3%, from RMB254.1 million in 1H2014, to RMB149.0 million in 1H2015.

Gross profit margin decreased by 1.1 percentage points, from 5.2% in 1H2014 to 4.1% in 1H2015. The decrease was primarily due to the decrease in average selling prices of products sold in 1H2015 which outpaced the decrease in raw materials prices.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB26.0 million, from RMB12.2 million in 1H2014, to RMB38.2 million in 1H2015. The increase in distribution and marketing expenses was primarily due to higher transportation costs in 1H2015 as compared to the previous corresponding period. In view of the intense competition in the steel industry, the Group started to provide delivery of products to certain customers.

**Administrative expenses**

Administrative expenses decreased by RMB10.2 million, from RMB141.5 million in 1H2014, to RMB131.3 million in 1H2015. The decrease in administrative expenses was primarily due to lower headcount and related costs and an overall lower administrative expenses as a result of cost reduction efforts.



### **Finance expenses**

Finance expenses decreased by RMB21.7 million from RMB117.5 million in 1H2014 to RMB95.8 million in 1H2015. The decrease was mainly due to an overall lower interest rates on bank borrowings in 1H2015 compared to the previous corresponding period.

### **Net profit**

As a result of the above and after taking into account taxation and non-controlling interest, the Group reported a net loss of RMB49.9 million in 1H2015 compared to a net profit of RMB6.2 million in 1H2014.

## **(b) Review of balance sheet of the Group as at 30 June 2015**

### **Current assets**

Current assets decreased by RMB549.5 million, from RMB4,457.0 million as at 31 December 2014 to RMB3,907.5 million as at 30 June 2015, primarily due to a decrease in bank balances pledged as security for the issuance of notes payables, lower inventories due to better inventory management and lower notes receivable which was in line with lower revenue in 2Q2015.

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

### **Current liabilities**

Current liabilities decreased by RMB440.9 million, from RMB4,780.6 million as at 31 December 2014 to RMB4,339.7 million as at 30 June 2015, primarily due to repayments of trade payables and notes payables for the period under review.

### **Working capital**

The negative working capital position was RMB432.2 million as at 30 June 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 RMB53.9 million, from RMB3,213.8 million as at 31 December 2014 to RMB3,267.7 million as at 30 June 2015. The increase was primarily due to the technological and environmental enhancement programmes at Delong Steel and Aoyu 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 decreased by RMB21.0 million, from RMB658.6 million as at 31 December 2014 to RMB637.6 million as at 30 June 2015, primarily due to the repayment of long term bank borrowings during the period under review.

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

### **2Q2015 vs 2Q2014**

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

Operating cashflow before working capital changes decreased by RMB113.2 million, from RMB265.0 million in 2Q2014 to RMB151.8 million in 2Q2015, primarily due to the decrease in operating profit. Cash from operating activities decreased by RMB200.5 million from a positive position RMB59.6 million in 2Q2014 to a negative position RMB140.9 million in 2Q2015, attributable mainly to the increase in bank balances pledged as security to banks for the issuance of notes payable for payments to suppliers for the period under review.

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

Net cash used in investing activities was RMB176.9 million in 2Q2015. This comprised principally the progress payments for the technical enhancements to upgrade production facilities at Delong Steel and Aoyu Steel, the construction in progress in relation to a new plant at Delong (Thailand) Co., Ltd, a 55%-owned subsidiary as well as payment of RMB93.4 million for the acquisition of the remaining 20% stake in Aoyu Steel.

The decrease was partially offset by the proceeds from the disposal of available-for-sale financial assets and interest received from banks.

#### **Net Cash Generated from Financing Activities**

Net cash generated from financing activities was RMB801.8 million in 2Q2015. This was mainly attributable to the drawdown of bank borrowing (including notes payable) of RMB931.3 million for working capital purposes, loan principal and interest repayments of RMB129.5 million.

### **1H2015 vs 1H2014**

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

Operating cashflow before working capital changes decreased by RMB149.7 million, from RMB358.6 million in 1H2014 to RMB208.9 million in 1H2015, primarily due to the decrease in operating profit. Cash from operating activities decreased by RMB102.8 million from RMB582.3 million in 1H2014, to RMB479.5 million in 1H2015, attributable mainly to the increase in prepayments to suppliers for the procurement of plant and machinery during the period under review.

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

Net cash used in investing activities was RMB281.9 million in 1H2015. This comprised principally the progress payments for the technical enhancements to upgrade production facilities at Delong Steel and Aoyu Steel, the construction in progress in relation to a new plant at Delong (Thailand) Co., Ltd, a 55%-owned subsidiary and payment of RMB93.4 million for the acquisition of the remaining 20% stake in Aoyu Steel.

The decrease was partially offset by the capital injection by non-controlling interest in Delong (Thailand) Co., Ltd, proceeds from the disposal of available for sale financial assets and interest received from the banks.

### **Net Cash Used In Financing Activities**

Net cash used in financing activities was RMB239.6 million in 1H2015. This was mainly attributable to the drawdown of bank borrowings of RMB1,552.2 million, loan principal and interest repayments of RMB1,791.8 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 is of the view that its financial results for 2Q2015 are in line with the commentary in the results announcement for the three month 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 operating environment is expected to remain challenging for the China steel industry. According to the World Bank's China Economic Update in July 2015, China's economic growth is expected to decelerate further to 7.1% in 2015, 7.0% and 6.9% in 2016 and 2017 respectively, which will negatively affect steel demand and prices. According to the China Iron and Steel Association ("CISA"), China's crude steel output could decline by about 2% in 2015. The World Steel Association had also commented that steel demand in China is likely to contract 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.

On the operational front, the Group is pleased to update that the major maintenance works on one of its blast furnaces at Delong Steel was completed in June 2015 and it is now fully operational. The Group's 55%-owned, maiden joint-venture plant in Thailand, Delong Thailand, is also expected to commence operations in the third quarter of 2015.

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 in the region 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 second quarter 30 June 2015.

**13. Interested person transactions**

There was no interested party transaction for the financial period ended 30 June 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 Ligu  
Executive Chairman