



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

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UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2016

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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 2016 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  
6 May 2016

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
		31/03/2016	31/03/2015	(Decrease)
Note		RMB'000	RMB'000	%
	<b>Sales</b>	2,086,299	1,629,442	28.0
	Cost of sales	(1,872,190)	(1,611,194)	16.2
	<b>Gross Profit</b>	<b>214,109</b>	<b>18,248</b>	<b>1073.3</b>
	Other income	24,879	23,755	4.7
	Other gains/(losses)-net	12,049	(7,217)	267.0
	<b>Expenses</b>			
	-Distribution and marketing	(15,540)	(19,383)	(19.8)
	-Administrative	(77,825)	(64,970)	19.8
	-Finance	(49,859)	(45,504)	9.6
	Share of loss of an associate	(72)	(48)	50.0
	<b>Profit/(loss) before tax</b>	<b>107,741</b>	<b>(95,119)</b>	<b>213.3</b>
	Income tax expense	(13,064)	(4,387)	197.8
	<b>Net profit/(loss)</b>	<b>94,677</b>	<b>(99,506)</b>	<b>195.1</b>
	<b>Profit/(loss) attributable to:</b>			
	Equity holders of the Company	<b>95,710</b>	<b>(82,317)</b>	216.3
	Non-controlling interest	<b>(1,033)</b>	<b>(17,189)</b>	(94.0)
		<b>94,677</b>	<b>(99,506)</b>	<b>195.1</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>				
	<b>Net profit/(loss)</b>	<b>94,677</b>	<b>(99,506)</b>	<b>195.1</b>
	<b>Other comprehensive (loss)/income:</b>			
	Available-for-sale financial assets-			
	Fair value loss	(10,065)	(3,303)	204.7
	Currency translation differences	(4,471)	7,821	(157.2)
	<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(14,536)</b>	<b>4,518</b>	<b>(421.7)</b>
	<b>Total comprehensive income/(loss)</b>	<b>80,141</b>	<b>(94,988)</b>	<b>184.4</b>
	<b>Total comprehensive income/ (loss) attributable to:</b>			
	Equity holders of the Company	<b>81,174</b>	<b>(77,799)</b>	204.3
	Non-controlling interest	<b>(1,033)</b>	<b>(17,189)</b>	(94.0)
		<b>80,141</b>	<b>(94,988)</b>	<b>184.4</b>

**Notes:-**

1	Other income	The Group	
		1 <sup>st</sup> Quarter Ended	
		31/03/2016	31/03/2015
		RMB'000	RMB'000
	Government grants <sup>(a)</sup>	5,560	-
	Finance lease income	163	946
	Interest income <sup>(b)</sup>	19,156	22,809
		<u>24,879</u>	<u>23,755</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 gains/(losses)-net	The Group	
		1 <sup>st</sup> Quarter Ended	
		31/03/2016	31/03/2015
		RMB'000	RMB'000
	Currency translation gain/(loss)-net <sup>1</sup>	9,858	(6,319)
	Fair value changes on purchase consideration payable	-	15,443
	Loss on disposal of property, plant and equipment	(1,148)	(16,361)
	Others <sup>2</sup>	3,339	20
		<u>12,049</u>	<u>(7,217)</u>

<sup>1</sup>The currency translation gain was mainly due to the revaluation of intercompany balances denominated in S\$ which had strengthened against RMB in 1Q2016.

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

**3. Profit/(loss) before tax includes the following items:-**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2016	31/03/2015
	RMB'000	RMB'000
Depreciation and amortization	133,195	122,073
Staff costs	96,671	88,583
Rental on operating lease	127	90

The increase in depreciation and amortization in 1Q2016 was due to higher capital expenditure incurred.

**4. Income Tax Expense**

	<b>The Group</b>	
	1 <sup>st</sup> Quarter Ended	
	31/03/2016	31/03/2015
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	12,465	4,747
-Singapore	620	-
Deferred income tax	(36)	(360)
Adjustments in respect of the preceding financial years		
Current income tax	15	-
	<u>13,064</u>	<u>4,387</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 31/03/2016	As at 31/12/2015	As at 31/03/2016	As at 31/12/2015
<b>Current assets</b>					
Cash and cash equivalents		753,516	484,864	12,559	13,400
Bank balances pledged		1,622,296	1,231,877	-	-
Held for Trading Investments	1	53,700	232,873	-	-
Held-to-maturity financial assets	2	200,000	200,000	-	-
Trade and other receivables	3	703,292	484,192	221,856	214,923
Inventories	4	503,065	540,113	-	-
Other assets	5	821,929	867,426	219	170
<b>Total current assets</b>		<b>4,657,798</b>	<b>4,041,345</b>	<b>234,634</b>	<b>228,493</b>
<b>Non-current assets</b>					
Bank balances pledged		206,000	206,000	-	-
Trade and other receivables	6	22,667	23,683	-	-
Other assets	5	9,084	15,383	-	-
Available-for-sale financial assets	7	147,543	157,539	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in an associate	8	4,268	4,340	-	-
Property, plant and equipment		3,284,681	3,374,392	101	114
Intangible assets		5,760	7,200	-	-
<b>Total non-current assets</b>		<b>3,680,003</b>	<b>3,788,537</b>	<b>1,985,017</b>	<b>1,985,030</b>
<b>Total assets</b>		<b>8,337,801</b>	<b>7,829,882</b>	<b>2,219,651</b>	<b>2,213,523</b>
<b>Current liabilities</b>					
Trade and other payables	9	1,685,098	1,595,934	5,970	4,543
Notes payables		1,895,282	1,654,818	-	-
Borrowings		1,696,094	1,864,361	9	9
<b>Total current liabilities</b>		<b>5,276,474</b>	<b>5,115,113</b>	<b>5,979</b>	<b>4,552</b>
<b>Non-current liabilities</b>					
Borrowings		608,007	341,230	40	42
Deferred income tax liabilities		24,329	24,689	-	-
<b>Total non-current liabilities</b>		<b>632,336</b>	<b>365,919</b>	<b>40</b>	<b>42</b>
<b>Total liabilities</b>		<b>5,908,810</b>	<b>5,481,032</b>	<b>6,019</b>	<b>4,594</b>
<b>Net Assets</b>		<b>2,428,991</b>	<b>2,348,850</b>	<b>2,213,632</b>	<b>2,208,929</b>
<b>Capital reserves and non-controlling interests</b>					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		1,968,303	1,887,129	101,152	96,449
Equity attributable to owners of the Company		2,374,947	2,293,773	2,213,632	2,208,929
Non-controlling interests		54,044	55,077	-	-
<b>Total equity</b>		<b>2,428,991</b>	<b>2,348,850</b>	<b>2,213,632</b>	<b>2,208,929</b>

**Notes:**

1. This relates to cash placed with the financial institutions for a tenor of 7 days. The interest rate on held for trading investments is approximately 3% per annum.

2. Held-to-maturity financial assets

	The Group	
	31/03/2016	31/12/2015
	RMB'000	RMB'000
Harvest Capital Management Co., Ltd	200,000	200,000
	<u>200,000</u>	<u>200,000</u>

The interest rate of the held-to-maturity financial asset is 6.55% per annum and matures within 12 months.

3. Trade and other receivables - current

	The Group	
	31/03/2016	31/12/2015
	RMB'000	RMB'000
Finance lease receivables	6,656	6,333
Trade receivables <sup>(1)</sup>	145,818	118,125
Notes receivable <sup>(2)</sup>	550,818	359,734
	<u>703,292</u>	<u>484,192</u>

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

The increase in trade receivables was due to the consolidation of trade receivable of Delong Thailand.

<sup>(2)</sup>The increase was in line with higher revenue recorded in 1Q2016.

4. Inventories

	The Group	
	31/03/2016	31/12/2015
	RMB'000	RMB'000
Raw materials	257,312	315,623
Work-in-progress	69,185	68,096
Finished goods	95,472	77,920
Production supplies	81,096	78,474
	<u>503,065</u>	<u>540,113</u>

The decrease in inventories was primarily due to lower raw material prices in 1Q2016 and also as a result of better inventory management.

5. Other assets

	The Group	
	31/03/2016	31/12/2015
	RMB'000	RMB'000
Deposits for offices	9,150	9,112
Prepayments <sup>(a)</sup>	467,885	532,220
Entrusted loan to third parties	80,000	80,000
VAT and tax recoverable	80,105	109,028
Municipal Land Resources Authority, Xingtai <sup>(c)</sup>	108,626	108,626
Others	85,247	43,823
	<u>831,013</u>	<u>882,809</u>
Analysed as:		
Current	821,929	867,426
Non-current	9,084	15,383
	<u>831,013</u>	<u>882,809</u>

(a) Prepayments relate to advance payments made to suppliers for the purchase of raw materials, and deposits for the purchase of plant and machinery in relation to our production facilities in the PRC and Thailand.

(b) This relates to a refundable deposit made to the Municipal Land Resources Authority of Xingtai, Hebei Province, in relation to the purchase of land use right for our premises at Delong Steel Limited (the "Purchase"). As at 31 December 2015, Delong Steel Limited has received acknowledgement of the Transfer of Title Deed. However, the official land certificate has yet to be issued. The deposit will be refunded upon legal completion of the Purchase.

6. Trade and other receivables – non-current

	The Group	
	31/03/2016	31/12/2015
	RMB'000	RMB'000
Finance lease receivables	-	1,016
Due from an investee company	22,667	22,667
	<u>22,667</u>	<u>23,683</u>

7. Available-for-sale financial assets

	The Group	
	31/03/2016	31/12/2015
	RMB'000	RMB'000
10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd	10,000	10,000
1.6% equity interest in Hengshi Mining Investments Ltd	27,277	37,343
Shan Nan De Lian Heng Tong Investment Harvest Fund Management Co., Ltd <sup>1</sup>	83,500	83,500
	26,766	26,696
	<u>147,543</u>	<u>157,539</u>

Note:-

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

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

9. Trade and other payables

	The Group	
	31/03/2016 RMB'000	31/12/2015 RMB'000
Trade payables to third parties	760,466	656,176
Letters of credit	93,320	113,532
VAT and other taxes payable	8,014	3,642
Payable to contractors for construction-in-progress	91,670	29,000
Advances from customers <sup>(1)</sup>	508,680	503,291
Other accrual for operating expenses	10,521	7,457
Accrual for interest expense	29,500	4,128
Accrual for staff cost	40,318	36,816
Due to directors (non-trade)	2,600	2,006
Deferred government grant	59,818	61,077
Deposit from customers	1,189	1,189
Other payables	79,002	177,620
	<u>1,685,098</u>	<u>1,595,934</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.



**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 31/03/2016	As at 31/12/2015
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
631,124	1,064,970	634,121	1,230,240

**Amount repayable after one year**

As at 31/03/2016	As at 31/12/2015
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
400,254	207,753	100,288	240,942

**Details of any collateral**

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

As at 31 March 2016, the Group's bank borrowings of approximately RMB1,092.0 million (2015: RMB 1,124.7 million) were guaranteed by third parties. In return, the Group has provided guarantees to banks for borrowings of these third parties amounted to approximately RMB228.0 million (2015: RMB 230.0 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	
	31/03/2016	31/03/2015
	RMB '000	RMB'000
<b>Cash flows from operating activities:</b>		
Profit/(loss) after income tax	94,677	(99,506)
Adjustments for:		
Income tax expense	13,064	4,387
Depreciation	131,755	120,633
Amortisation of intangible assets	1,440	1,440
Loss on disposal of property, plant and equipment	1,148	16,361
Fair value changes on purchase consideration payable	-	(15,443)
Share of loss of an associate	72	48
Interest income	(19,156)	(22,809)
Interest expense	49,859	45,504
Unrealised currency translation gain	(11,087)	6,553
	<u>167,095</u>	<u>156,674</u>
<b>Operating cash flow before working capital changes</b>	<u>261,772</u>	<u>57,168</u>
Bank balances pledged	(390,419)	741,587
Receivables	(166,288)	(41,885)
Inventories	37,048	97,525
Payables	89,164	(233,957)
	<u>(430,495)</u>	<u>563,270</u>
<b>Cash (used in)/generated from operating activities</b>	(168,723)	620,438
Income tax paid	(13,424)	(4,747)
<b>Net cash (used in)/generated from operating activities</b>	<u>(182,147)</u>	<u>615,691</u>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment (“PPE”)	(36,575)	(146,181)
Purchase of available-for-sale financial assets	(69)	-
Proceeds from disposal of available-for-sale financial assets	-	9,720
Proceeds from disposal of held for trading investment	179,173	-
Capital contribution by non-controlling interest	-	8,615
Interest received	19,156	22,809
<b>Net cash generated from/(used in) investing activities</b>	<u>161,685</u>	<u>(105,037)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	895,463	620,838
Repayment of borrowings	(556,490)	(1,616,834)
Interest paid	(49,859)	(45,504)
<b>Net cash generated from/(used in) financing activities</b>	<u>289,114</u>	<u>(1,041,500)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	268,652	(530,846)
Cash and cash equivalents at beginning of the period	<u>484,864</u>	<u>935,621</u>
<b>Cash and cash equivalents at end of the period</b>	<u>753,516</u>	<u>404,775</u>

**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 Group</u></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 2016</b>	406,644	261,613	(23,098)	8,650	141,072	1,498,892	2,293,773	-	55,077	2,348,850
Total comprehensive (loss)/income for the period	-	-	(10,065)	(4,471)	-	95,710	81,174	-	(1,033)	80,141
<b>Balance as at 31 March 2016</b>	406,644	261,613	(33,163)	4,179	141,072	1,594,602	2,374,947	-	54,044	2,428,991

<b><u>The Group</u></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 (loss)/ 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

**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 2016</b>	2,112,480	249,218	(152,769)	2,208,929
Total comprehensive income for the period	-	-	4,703	4,703
<b>Balance as at 31 March 2016</b>	<u>2,112,480</u>	<u>249,218</u>	<u>(148,066)</u>	<u>2,213,632</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 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>

- 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>	31/03/2016	31/03/2015
Number of ordinary shares as at 1 January	110,182,709	550,913,635
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 31 March	110,182,709	550,913,635

On 29 February 2016, the Company completed a share consolidation exercise to consolidate every five ordinary shares in the capital of the Company held by shareholders into one consolidated share, so as to comply with the Minimum Trading Price as implemented by the SGX-ST as an additional continuing listing requirement. The issued capital of the Company as at 31 March 2016 comprised 110,182,709 consolidated shares, after disregarding any fractions of consolidated shares arising from the share consolidation exercise.

There were no outstanding convertibles as at 31 March 2016.

- 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 2015.

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	
	31/03/2016	31/03/2015
	RMB'000	RMB'000
Net profit/(loss) for the period	95,710	(82,317)
Basic earnings/(losses) per share (in RMB)	0.87	(0.75)
Diluted earnings/(losses) per share (in RMB)	0.87	(0.75)

**Explanatory Notes:**

Basic earnings/(losses) per share is calculated based on the weighted average number of shares in issue of 110,182,709 (post consolidation) for both periods.

There is no difference between the basis and diluted earnings per share.

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	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Net Asset Value per share (RMB)	21.55	20.82	20.09	20.05

Net asset value per share for the Group and Company is calculated based on 110,182,709 ordinary shares (post share consolidation) for both periods.

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**

**1Q2016 vs 1Q2015**

**Revenue**

Group revenue increased by RMB456.9 million or 28.0% from RMB1,629.4 million in 1Q2015 to RMB2,086.3 million in 1Q2016. The increase in revenue was principally attributed to an increase in sales volume amid tighter supplies following production cuts and mills closure in the PRC in 2015 and restocking by customers.

The increase was also due to contributions from Delong (Thailand) Co., Ltd ("Delong Thailand"), the Group's 55% owned subsidiary, Delong Thailand contributed 6.6% to the Group's revenue in 1Q2016. Delong Thailand commenced the sales of its first batch of hot rolled coil ("HRC") in September 2015 and is progressively ramping up its production capacity.

In 1Q2016, the Group sold 998,023 tonnes of HRC and 229 tonnes of steel billets, compared to 734,337 tonnes of HRC and 116 tonnes of steel billets in 1Q2015. Overall sales quantity increased by 263,799 tonnes or 3.6%.

**Cost of sales**

Total cost of sales increased by RMB261.0 million or 16.2%, from RMB1,611.2 million in 1Q2015 to RMB1,872.2 million in 1Q2016. The increase was primarily due to higher sales volume as mentioned above coupled with the consolidation of cost of sales of Delong Thailand, despite lower raw materials prices for production in 1Q2016 as compared to the previous corresponding period.

**Gross profit**

Gross profit increased by RMB195.9 million from RMB18.2 million in 1Q2015 to RMB214.1 million in 1Q2016.

Gross profit margin increased by 9.2 percentage points from 1.1% in 1Q2015 to 10.3% in 1Q2016. 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 1Q2016.

**Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB3.9 million, from RMB19.4 million in 1Q2015, to RMB15.5 million in 1Q2016. This was mainly due to lower transportation costs associated with the delivery of HRC products to customers in the PRC as compared to previous corresponding period.

**Administrative expenses**

Administrative expenses increased by RMB12.8 million, from RMB65.0 million in 1Q2015 to RMB77.8 million in 1Q2016. The increase was primarily due to sewage and environmental impact assessment fee of RMB24.3 million incurred in 1Q2016 to comply with the increasingly stringent environmental regulations. This was partially offset by the Group's cost containment efforts during the period under review.

### **Finance expenses**

Finance expenses increased by RMB4.4 million from RMB45.5 million in 1Q2015 to RMB49.9 million in 1Q2016. The increase was mainly due to higher bill discounting charges incurred in 1Q2016.

### **Net profit**

As a result of higher operating profit and after taking into account taxation and non-controlling interest, the Group reported a net profit of RMB95.7 million in 1Q2016, a reversal from a net loss of RMB82.3 million in 1Q2015. The net profit margin was 4.5% in 1Q2016

## **(b) Review of balance sheet of the Group as at 31 March 2016**

### **Current assets**

Current assets increased by RMB616.5 million, from RMB4,041.3 million as at 31 December 2015 to RMB4,657.8 million as at 31 March 2016, primarily due to the increase in notes receivable which was in line with higher revenue in 1Q2016 as well as the increase in bank balances pledged as security for the issuance of notes payables and bank borrowings during the period under review.

### **Current liabilities**

Current liabilities increased by RMB161.4 million, from RMB5,115.1 million as at 31 December 2015 to RMB5,276.5 million as at 31 March 2016, primarily due to an overall increase in trade and other payables, and notes payables. The increase was partially offset by the repayments of bank borrowings during the period under review.

### **Working capital**

The negative working capital position was RMB618.7 million as at 31 March 2016. 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 decreased by RMB89.7 million, from RMB3,374.4 million as at 31 December 2015 to RMB3,284.7 million as at 31 March 2016. The decrease was primarily due to depreciation charges for the period under review.

The decrease was partially offset by the capital expenditure incurred for on-going technological and environmental enhancement programmes to the production facilities in the PRC.

### **Non-Current liabilities**

Non-current liabilities increased by RMB266.4 million, from RMB365.9 million as at 31 December 2015 to RMB632.3 million as at 31 March 2016, primarily due to the drawdown of long term bank borrowings for working capital purposes during the period under review.



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

**1Q2016 vs 1Q2015**

**Net Cash Used In Operating Activities**

Operating cashflow before working capital changes increased by RMB204.6 million, from RMB57.2 million in 1Q2015 to RMB261.8 million in 1Q2016, primarily due to the increase in operating profit. Cash from operating activities decreased by RMB789.1 million from a positive position RMB620.4 million in 1Q2015 to a negative position RMB168.7 million in 1Q2016, attributable mainly to the increase in notes receivables, and bank balances pledged as security for the issuance of notes payables during the period under review.

**Net Cash Generated From Investing Activities**

Net cash generated from investing activities was RMB161.7 million in 1Q2016. This was mainly attributable to proceeds from the disposal of held for trading investments in 1Q2016.

This was partially offset by payments for on-going technological and environmental enhancement programmes to the production facilities in the PRC.

**Net Cash Generated From Financing Activities**

Net cash generated from financing activities was RMB289.1 million in 1Q2016. This was mainly attributable to the drawdown of bank borrowings of RMB895.5 million for working capital, loan principal and interest repayments of RMB606.4 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 issued a profit guidance on 29 April 2016 that the Company would report a significant rise in net profit for the three months ended 31 March 2016.

**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**

Despite a turnaround to profitability in 1Q2016, the Company remains cautious of its prospects over the short and medium term. The PRC steel industry will remain challenging and competitive in 2016 due to a slowdown in the domestic economy and the persistent production glut. China's economic growth slowed further to 6.7% in the first quarter of 2016 and has set a growth target rate in the lower range of 6.5% to 7.0% for 2016. Amidst overcapacity concerns, China crude steel output surged by over 21% in March 2016 to 70.7 million tonnes according to data from the China Iron and Steel Association (CISA).

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 recycling of waste resource.

Operationally, Delong Thailand, the Group's 55%-owned maiden joint-venture plant in Thailand, commenced operation in 3Q2015. Delong Thailand delivered its first batch of HRC in September 2015 and will progressively ramp up production over the coming months.

In view of the challenging outlook, the Group will remain vigilant, managing costs prudently 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 first quarter 31 March 2016.

**13. Interested person transactions**

There was no interested party transaction for the financial period ended 31 March 2016.

**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