



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

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

	Note	The Group					Increase (Decrease) %	
		2 <sup>nd</sup> Quarter Ended		Increase (Decrease) %	Half Year Ended			Increase (Decrease) %
		30/06/2016 RMB'000	30/06/2015 RMB'000		30/06/2016 RMB'000	30/06/2015 RMB'000		
<b>Sales</b>		2,543,396	1,987,232	28.0	4,629,695	3,616,674	28.0	
Cost of sales		(2,141,953)	(1,856,436)	15.4	(4,014,143)	(3,467,630)	15.8	
<b>Gross Profit</b>		<b>401,443</b>	<b>130,796</b>	<b>206.9</b>	<b>615,552</b>	<b>149,044</b>	<b>313.0</b>	
Other Income	1	23,984	21,591	11.1	48,863	45,042	8.5	
Other (losses)/gains-net	2	(1,920)	10,168	(118.9)	10,129	3,255	211.2	
<b>Expenses</b>								
-Distribution and marketing		(20,031)	(18,834)	6.4	(35,571)	(38,217)	(6.9)	
-Administrative		(73,424)	(66,372)	10.6	(151,249)	(131,342)	15.2	
-Finance		(55,300)	(50,278)	10.0	(105,159)	(95,782)	9.8	
Share of loss of an associate		(81)	(75)	8.0	(153)	(123)	24.4	
<b>Profit/(loss) before tax</b>	3	274,671	26,996	n.m	382,412	(68,123)	n.m	
Income tax credit/(expense)	4	10,516	(2,156)	n.m	(2,548)	(6,543)	(61.1)	
<b>Net Profit/(loss)</b>		<b>285,187</b>	<b>24,840</b>	<b>n.m</b>	<b>379,864</b>	<b>(74,666)</b>	<b>n.m</b>	
<b>Profit/(loss) attributable to:</b>								
Equity holders of the Company		284,800	32,380	n.m	380,510	(49,937)	n.m	
Non-controlling interest		387	(7,540)	105.1	(646)	(24,729)	n.m	
		<b>285,187</b>	<b>24,840</b>	<b>n.m</b>	<b>379,864</b>	<b>(74,666)</b>	<b>n.m</b>	

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Net profit/(loss)</b>	<b>285,187</b>	<b>24,840</b>	<b>n.m</b>	<b>379,864</b>	<b>(74,666)</b>	<b>n.m</b>
<b>Other comprehensive income</b>						
Available-for-sale financial assets- Fair value gain	19,181	10,709	79.1	9,116	7,406	23.1
Currency translation differences	1,135	(9,763)	111.6	(3,336)	(1,942)	71.8
<b>Other comprehensive income for the period, net of tax</b>	20,316	946	n.m	5,780	5,464	5.8
<b>Total comprehensive income/(loss)</b>	<b>305,503</b>	<b>25,786</b>	<b>n.m</b>	<b>385,644</b>	<b>(69,202)</b>	<b>n.m</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Equity holders of the Company	305,116	33,326	n.m	386,290	(44,473)	n.m
Non-controlling interest	387	(7,540)	105.1	(646)	(24,729)	n.m
	<b>305,503</b>	<b>25,786</b>	<b>n.m</b>	<b>385,644</b>	<b>(69,202)</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	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant <sup>(a)</sup>	6,049	-	11,609	-
Finance lease income	428	202	591	844
Interest income	17,507	21,389	36,663	44,198
	<u>23,984</u>	<u>21,591</u>	<u>48,863</u>	<u>45,042</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)/gains-net

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Currency translation gain/(loss)-net <sup>(a)</sup>	9,838	3,760	19,696	(2,559)
Fair value changes on purchase considerable payable	-	4,709	-	20,152
Loss on disposal of property, plant and equipment ("PPE")	(11,658)	(5,845)	(12,806)	(22,206)
Others <sup>(b)</sup>	(100)	7,544	3,239	7,868
	<u>(1,920)</u>	<u>10,168</u>	<u>10,129</u>	<u>3,255</u>

Notes:

(a) The currency translation gain was mainly due to the revaluation of bank balances and intercompany balances denominated in SGD, which strengthened against RMB for the second quarter ended 30 June 2016 ("2Q2016") and for the first half ended 30 June 2016 (1H2016), respectively.

(b) 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	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization <sup>(a)</sup>	108,782	95,897	241,977	217,970
Staff costs <sup>(b)</sup>	153,541	87,164	250,212	175,747
Operating lease rental	132	90	259	180

Notes:

- (a) The increase in depreciation and amortization in 2Q2016 and 1H2016 was mainly due to the consolidation of depreciation charges of Delong (Thailand) Co., Ltd (“Delong Thailand”), the Group’s 55% owned subsidiary. Delong Thailand commenced its operations in September 2015.
- (b) The increase in staff costs in 2Q2016 and 1H2016 was mainly due to higher headcount with the commencement of manufacturing operations of Delong Thailand and also the increase in provision for staff bonus during the period under review.

**4. Income Tax (Credit)/Expense**

	<b>The Group</b>			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	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	(10,887)	2,360	1,578	7,107
-Singapore	391	156	1,011	156
Deferred income tax	(36)	(360)	(72)	(720)
Adjustments in respect of the preceding financial years				
-Current income tax	16	-	31	-
	<u>(10,516)</u>	<u>2,156</u>	<u>2,548</u>	<u>6,543</u>

The effective tax rate for 2Q2016 and 1H2016 was lower than the amount obtained by applying the PRC statutory rate of 25% on profit before tax mainly due to losses incurred by some entities within the Group in prior years can be offset against profits earned in the current financial year.

**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 30/06/2016	As at 31/12/2015	As at 30/06/2016	As at 31/12/2015
<b>Current assets</b>					
Cash and cash equivalents		745,117	484,864	7,598	13,400
Bank balances pledged		1,421,685	1,231,877	-	-
Held for Trading Investments	1	560,045	232,873	-	-
Held-to-maturity financial assets	2	-	200,000	-	-
Trade and other receivables	3	877,615	484,192	226,543	214,923
Inventories	4	597,514	540,113	-	-
Other assets	5	533,819	867,426	215	170
<b>Total current assets</b>		<b>4,735,795</b>	<b>4,041,345</b>	<b>234,356</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	-	15,383	123	-
Available-for-sale financial assets	7	216,777	157,539	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in an associate	8	4,187	4,340	-	-
Property, plant and equipment		3,283,993	3,374,392	88	114
Intangible assets		4,320	7,200	-	-
<b>Total non-current assets</b>		<b>3,737,944</b>	<b>3,788,537</b>	<b>1,985,127</b>	<b>1,985,030</b>
<b>Total assets</b>		<b>8,473,739</b>	<b>7,829,882</b>	<b>2,219,483</b>	<b>2,213,523</b>
<b>Current liabilities</b>					
Trade and other payables	9	1,650,054	1,595,934	3,394	4,543
Notes payables		1,837,349	1,654,818	-	-
Borrowings		1,652,268	1,864,361	9	9
<b>Total current liabilities</b>		<b>5,139,671</b>	<b>5,115,113</b>	<b>3,403</b>	<b>4,552</b>
<b>Non-current liabilities</b>					
Borrowings		575,605	341,230	38	42
Deferred income tax liabilities		23,969	24,689	-	-
<b>Total non-current liabilities</b>		<b>599,574</b>	<b>365,919</b>	<b>38</b>	<b>42</b>
<b>Total liabilities</b>		<b>5,739,245</b>	<b>5,481,032</b>	<b>3,441</b>	<b>4,594</b>
<b>Net Assets</b>		<b>2,734,494</b>	<b>2,348,850</b>	<b>2,216,042</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		2,273,419	1,887,129	103,562	96,449
Equity attributable to owners of the Company		2,680,063	2,293,773	2,216,042	2,208,929
Non-controlling interests		54,431	55,077	-	-
<b>Total equity</b>		<b>2,734,494</b>	<b>2,348,850</b>	<b>2,216,042</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	
	30/06/2016	31/12/2015
	RMB'000	RMB'000
Harvest Capital Management Co., Ltd	-	200,000
	-	200,000

The interest rate of the held-to-maturity financial asset is 6.55% per annum and matures within 12 months. The held-to-maturity financial asset was redeemed in June 2016.

3. Trade and other receivables - current

	The Group	
	30/06/2016	31/12/2015
	RMB'000	RMB'000
Finance lease receivables	4,442	6,333
Trade receivables <sup>(1)</sup>	81,256	118,125
Notes receivable <sup>(2)</sup>	791,917	359,734
	877,615	484,192

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

<sup>(2)</sup>The increase was in line with higher revenue recorded in 1H2016.

4. Inventories

	The Group	
	30/06/2016	31/12/2015
	RMB'000	RMB'000
Raw materials	343,802	315,623
Work-in-progress	52,241	68,096
Finished goods	97,511	77,920
Production supplies	103,960	78,474
	597,514	540,113

The increase in inventories was primarily due to the consolidation of inventories of Delong Thailand.

5. Other assets

	The Group	
	30/06/2016	31/12/2015
	RMB'000	RMB'000
Deposits for offices	9,579	9,112
Prepayments <sup>(a)</sup>	160,412	532,220
Entrusted loan to third parties	85,000	80,000
VAT and tax recoverable	72,505	109,028
Municipal Land Resources Authority, Xingtai <sup>(b)</sup>	108,626	108,626
Others	97,697	43,823
	<u>533,819</u>	<u>882,809</u>
Analysed as:		
Current	533,819	867,426
Non-current	-	15,383
	<u>533,819</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"). The official land certificate in relation to the Purchase was obtained in July 2016. The deposit will be refunded upon legal completion of the Purchase.

6. Trade and other receivables – non-current

	The Group	
	30/06/2016	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	
	30/06/2016	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	46,459	37,343
Shan Nan De Lian Heng Tong Investment Harvest Fund Management Co., Ltd <sup>1</sup>	83,500	83,500
	76,818	26,696
	<u>216,777</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	
	30/06/2016 RMB'000	31/12/2015 RMB'000
Trade payables to third parties	586,050	656,176
Letters of credit	113,321	113,532
VAT and other taxes payable	31,675	3,642
Payable to contractors for construction-in-progress	34,606	29,000
Advances from customers <sup>(1)</sup>	508,328	503,291
Other accrual for operating expenses	30,211	7,457
Accrual for interest expense	5,573	4,128
Accrual for staff cost	97,484	36,816
Due to directors (non-trade)	2,035	2,006
Deferred government grant	57,855	61,077
Deposit from customers	1,189	1,189
Other payables	181,727	177,620
	<u>1,650,054</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 30/06/2016	As at 31/12/2015
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
636,398	1,015,870	634,121	1,230,240

**Amount repayable after one year**

As at 30/06/2016	As at 31/12/2015
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
400,425	175,180	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 30 June 2016, the Group's bank borrowings of approximately RMB994.4 million (2015: 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 RMB228.0 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	
		30/06/2016	30/06/2015	30/06/2016	30/06/2015
		RMB '000	RMB '000	RMB '000	RMB '000
<b>Cash flows from operating activities:</b>					
Profit/(Loss) after income tax		285,187	24,840	379,864	(74,666)
Adjustments for:					
Depreciation		107,342	94,457	239,097	215,090
Amortisation of intangible asset		1,440	1,440	2,880	2,880
Loss on disposal of property, plant and equipment		11,658	5,845	12,806	22,206
Fair value changes on purchase considerable payable		-	(4,709)	-	(20,152)
Share of loss of an associate company		81	75	153	123
Interest income		(17,507)	(21,389)	(36,663)	(44,198)
Interest expense		55,300	50,278	105,159	95,782
Income tax expense		(10,516)	2,156	2,548	6,543
Unrealised currency translation (gain)/loss		(7,677)	(1,237)	(18,764)	5,316
		140,121	126,916	307,216	283,590
<b>Operating cash flow before working capital changes</b>		425,308	151,756	687,080	208,924
Bank balances pledged		200,611	(365,537)	(189,808)	376,050
Receivables		122,871	(21,302)	(43,417)	(63,187)
Inventories		(94,449)	(3,099)	(57,401)	94,426
Payables		(35,115)	97,290	54,049	(136,667)
		193,918	(292,648)	(236,577)	270,622
<b>Cash provided by/(used in) operating activities</b>		619,226	(140,892)	450,503	479,546
Income tax credit/(paid)		10,156	(2,516)	(3,268)	(7,263)
<b>Net cash provided by/(used in) operating activities</b>		629,382	(143,408)	447,235	472,283
<b>Cash flows from investing activities:</b>					
Payments for property, plant and equipment		(109,433)	(152,272)	(146,008)	(298,453)
Purchase of available-for-sale financial assets		(50,053)	-	(50,122)	-
Purchase of held for trading investments		(506,345)	-	(327,172)	-
Proceeds from disposal of property, plant and equipment		-	-	-	-
Proceeds from disposal of available-for-sale financial assets		-	47,366	-	57,086
Proceeds from disposal of held-to-maturity financial assets		200,000	-	200,000	-
Acquisition of the remaining 20% stake in Aoyu Steel		-	(93,362)	-	(93,362)
Capital contribution by non-controlling interest		-	-	-	8,615
Interest received		17,507	21,389	36,663	44,198
<b>Net cash used in investing activities</b>		(448,324)	(176,879)	(286,639)	(281,916)
<b>Cash flows from financing activities:</b>					
Proceeds from borrowings		745,564	931,329	1,641,027	1,552,167
Repayment of borrowings		(879,721)	(79,211)	(1,436,211)	(1,696,045)
Interest paid		(55,300)	(50,278)	(105,159)	(95,782)
<b>Net cash (used in)/ provided by financing activities</b>		(189,457)	801,840	99,657	(239,660)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		(8,399)	481,553	260,253	(49,293)
Cash and cash equivalents at beginning of the period		753,516	404,775	484,864	935,621
<b>Cash and cash equivalents at end of the period</b>		745,117	886,328	745,117	886,328

**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 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
Total comprehensive income for the period	-	-	19,181	1,135	-	284,800	305,116	-	387	305,503
<b>Balance as at 30 June 2016</b>	406,644	261,613	(13,982)	5,314	141,072	1,879,402	2,680,063	-	54,431	2,734,494

<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

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

<u>The Company</u>	Share capital RMB '000	Capital reserve RMB '000	Retained earnings RMB '000	Total 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>	2,112,480	249,218	(148,066)	2,213,632
Total comprehensive income for the period	-	-	2,410	2,410
<b>Balance as at 30 June 2016</b>	2,112,480	249,218	(145,656)	2,216,042

<u>The Company</u>	Share capital RMB '000	Capital reserve RMB '000	Retained earnings RMB '000	Total 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>	2,112,480	249,218	(149,854)	2,211,844
Total comprehensive income for the period	-	-	1,404	1,404
<b>Balance as at 30 June 2015</b>	2,112,480	249,218	(148,450)	2,213,248

**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>	<b>30/06/2016</b>	<b>30/06/2015</b>
Number of ordinary shares as at 1 April	110,182,709	550,913,635
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 30 June	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 30 June 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 30 June 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			
	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit /(loss) attributable to equity holders of the Company	284,800	32,380	380,510	(49,937)
Basic earnings/(losses) per share (in RMB)	2.58	0.54	3.45	(0.45)
Diluted earnings/(losses) per share (in RMB)	2.58	0.54	3.45	(0.45)

**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	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net Asset Value per share (RMB)	24.32	20.82	20.11	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) Financial Review for the second quarter and six months ended 30 June 2016**

**2Q2016 vs 2Q2015**

**Revenue**

Group revenue increased by RMB556.2 million or 28.0% from RMB1,987.2 million in 2Q2015 to RMB2,543.4 million in 2Q2016. The increase in revenue was principally attributed to the continued increase in volume of hot rolled coil ("HRC") sold amid tighter supplies following production cuts in the PRC in 2015 and restocking by customers, and the increase in average selling prices of products sold in 2Q2016.

The increase was also due to maiden contributions from Delong (Thailand) Co., Ltd ("Delong Thailand"), the Group's 55% owned subsidiary, Delong Thailand contributed 8.1% to the Group's revenue in 2Q2016. Delong Thailand commenced the sales of its first batch of HRC in September 2015 and is progressively ramping up its production capacity.

In 2Q2016, the Group sold 1,038,809 tonnes of HRC and 346 tonnes of steel billets as compared to 854,480 tonnes of HRC and 235 tonnes of steel billets in 2Q2015. Overall sales quantity increased by 184,440 tonnes or 21.6%.

**Cost of sales**

Total cost of sales increased by RMB285.6 million or 15.4%, from RMB1,856.4 million in 2Q2015 to RMB2,142.0 million in 2Q2016. The increase was primarily due to higher sales volume as mentioned above, partially offset by lower raw material prices for steel production in 2Q2016 as compared to the previous corresponding period.

**Gross profit**

Gross profit increased by RMB270.6 million or 206.9%, from RMB130.8 million in 2Q2015 to RMB401.4 million in 2Q2016.

Gross profit margin increased by 9.2 percentage points from 6.6% in 2Q2015 to 15.8% in 2Q2016. The increase was primarily due to the increase in average selling prices of products sold coupled with the decrease in prices of raw materials in 2Q2016.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB1.2 million, from RMB18.8 million in 2Q2015, to RMB20.0 million in 2Q2016. This was in line with higher sales recorded in 2Q2016 as compared to the previous corresponding period.

**Administrative expenses**

Administrative expenses increased by RMB7.0 million, from RMB66.4 million in 2Q2015 to RMB73.4 million in 2Q2016, primarily due to the increase in provision for staff bonus during the period under review.

**Finance expenses**

Finance expenses increased by RMB5.0 million from RMB50.3 million in 2Q2015 to RMB55.3 million in 2Q2016. The increase was mainly due to the increase in bank borrowings drawdown for working capital purposes in 2Q2016 as compared to the previous corresponding period.

**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 RMB284.8 million in 2Q2016, as compared to RMB 32.4 million in 2Q2015. The net profit margin was 11.2% and 1.2% in 2Q2016 and 2Q2015, respectively .

**1H2016 vs 1H2015****Revenue**

Group revenue increased by RMB1,013.0 million or 28.0%, from RMB3,616.7 million in 1H2015, to RMB4,629.7 million in 1H2016. The increase in revenue was principally attributed to a significant increase in volume of HRC sold amid tighter supplies following production cuts and mills closure in the PRC in 2015 and restocking by customers.

The increase was also due to maiden contributions from Delong (Thailand) Co., Ltd (“Delong Thailand”), the Group’s 55% owned subsidiary, Delong Thailand contributed 7.4% to the Group’s revenue in 1H2016.

In 1H2016, the Group sold 2,036,591 tonnes of HRC and 575 tonnes of steel billets as compared to 1,588,817 tonnes of HRC and 351 tonnes of steel billets in 1H2015. Overall sales quantity increased by 447,998 tonnes or 28.2%.

**Cost of sales**

Total cost of sales increased by RMB546.5 million or 15.8%, from RMB3,467.6 million in 1H2015 to RMB4,014.1 million in 1H2016. The increase was primarily due to higher sales volume mentioned above, despite lower raw materials prices for production amid rising iron ore supplies in 1H2016 as compared to the previous corresponding period.

**Gross profit**

Gross profit increased by RMB466.6 million or 313.0%, from RMB149.0 million in 1H2015, to RMB615.6 million in 1H2016.

Gross profit margin increased by 9.2 percentage points, from 4.1% in 1H2015 to 13.3% in 1H2016. The increase was primarily due to the decrease in in raw materials prices which significantly outpaced the decrease in average selling prices of products sold in 1H2016.

**Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB2.6 million, from RMB38.2 million in 1H2015, to RMB35.6 million in 1H2016. The decrease in distribution and marketing expenses was primarily due to lower transportation costs associated with the delivery of HRC products to customers in the PRC as compared to the previous corresponding period.

**Administrative expenses**

Administrative expenses increased by RMB19.9 million, from RMB131.3 million in 1H2015, to RMB151.2 million in 1H2016. The increase in administrative expenses was primarily due to higher sewage and environmental impact assessment fee incurred in 1H2016 to comply with the increasingly stringent environmental regulations. The increase was also due to higher employee-related expenses, i.e., provision for staff bonus, in 1H2016.



### **Finance expenses**

Finance expenses increased by RMB9.4 million, from RMB95.8 million in 1H2015, to RMB105.2 million in 1H2016. The increase was mainly due to the increase in bank borrowings drawdown for working capital purposes in 1H2016 compared to the previous corresponding period.

### **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 RMB380.5 million in 1H2016, a reversal from a net loss of RMB49.9 million in 1H2015. The net profit margin was 8.2% in 1H2016

## **(b) Review of balance sheet of the Group as at 30 June 2016**

### **Current assets**

Current assets increased by RMB694.5 million, from RMB4,041.3 million as at 31 December 2015 to RMB4,735.8 million as at 30 June 2016, primarily due to the increase in notes receivable which was in line with higher revenue recorded in 1H2016. The increase was also due to the increase in the purchase of held for trading investments, and bank balances pledged as security for the issuance of notes payables during the period under review.

### **Current liabilities**

Current liabilities increased by RMB24.6 million, from RMB5,115.1 million as at 31 December 2015 to RMB5,139.7 million as at 30 June 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 RMB403.9 million as at 30 June 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 RMB90.4 million, from RMB3,374.4 million as at 31 December 2015 to RMB3,284.0 million as at 30 June 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 RMB233.7 million, from RMB365.9 million as at 31 December 2015 to RMB599.6 million as at 30 June 2016, primarily due to the increase in long term bank borrowings drawdown for working capital purposes during the period under review.

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

**2Q2016 vs 2Q2015**

**Net Cash Generated From Operating Activities**

Operating cashflow before working capital changes increased by RMB273.5 million, from RMB151.8 million in 2Q2015 to RMB425.3 million in 2Q2016, primarily due to the increase in operating profit. Cash from operating activities increased by RMB760.1 million from a negative position RMB140.9 million in 2Q2015 to a positive position RMB619.2 million in 2Q2016, attributable mainly to the decrease in bank balances pledged as security to banks for the issuance of notes payable for the period under review.

**Net Cash Used in Investing Activities**

Net cash used in investing activities was RMB448.3 million in 2Q2016. This comprised principally the progress payments for the on-going technical enhancements to the upgrade production facilities in the PRC and payments for the purchase of held for trading investments and available-for-sale financial assets.

The decrease was partially offset by the proceeds from the disposal of held-to-maturity financial assets and interest received from banks.

**Net Cash Used in Financing Activities**

Net cash used in financing activities was RMB189.5 million in 2Q2016. This was mainly attributable to the drawdown of bank borrowing of RMB745.5 million for working capital purposes, loan principal and interest repayments of RMB935.0 million.

**1H2016 vs 1H2015**

**Net Cash Used In Operating Activities**

Operating cashflow before working capital changes increased by RMB478.2 million, from RMB208.9 million in 1H2015 to RMB687.1 million in 1H2016, primarily due to the increase in operating profit. Net cash from operating activities decreased by RMB25.1 million from RMB472.3 million in 1H2015, to RMB447.2 million in 1H2016, attributable mainly to the increase in bank balances pledged as security to banks for the issuance of notes payable, and the increase in inventories with the commencement of operations of Delong Thailand during the period under review.

**Net Cash Used in Investing Activities**

Net cash used in investing activities was RMB286.6 million in 1H2016. This comprised principally the progress payments for the technical enhancements to the upgrade production facilities in the PRC and payments for the purchases of available-for-sale financial assets and held for trading investments.

The decrease was partially offset by the proceeds from the disposal of held-to-maturity financial assets and interest received from the banks.

**Net Cash Generated From Financing Activities**

Net cash generated from financing activities was RMB99.6 million in 1H2016. This was mainly attributable to the drawdown of bank borrowings of RMB1,641.0 million, loan principal and interest repayments of RMB1,541.4 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 July 2016 that the Company would report a significant rise in net profit for the three months ended 30 June 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**

Following the steel industry production cuts in 2015, the Group enjoyed two consecutive quarters of growth in 2016 driven by steel demand arising from increased infrastructure and construction activities in the PRC.

Notwithstanding the short-term recovery in performance, the Group believes the business environment for steel producers remains challenging and competitive, as the industry grapples with a slowing domestic economy and the persistent production glut.

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, backed by increased steel demand and marketing efforts, Delong Thailand is ramping up its production.

Given the challenging outlook, the Group will remain vigilant to manage its cost while seeking viable opportunities in the region to grow its businesses. The Board and Management will also continue to explore and evaluate earnings-accretive acquisitions and/or investments for the long-term benefit of shareholders.

**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 2016.

**13. Interested person transactions**

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