



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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 2017 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
4 May 2017

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 st Quarter Ended		Increase
		31/03/2017	31/03/2016	(Decrease)
Note		RMB'000	RMB'000	%
	Sales	2,986,704	2,086,299	43.2
	Cost of sales	(2,458,307)	(1,872,190)	31.3
	Gross Profit	528,397	214,109	146.8
	Other income	25,566	24,879	2.8
	Other gains-net	10,209	12,049	(15.3)
	Expenses			
	-Distribution and marketing	(27,678)	(15,540)	78.1
	-Administrative	(69,416)	(77,825)	(10.8)
	-Finance	(30,894)	(49,859)	(38.0)
	Share of loss of an associate	(119)	(72)	65.3
	Profit before tax	436,065	107,741	304.7
	Income tax expense	(48,276)	(13,064)	269.5
	Net profit	387,789	94,677	309.6
	Profit attributable to:			
	Equity holders of the Company	387,789	95,710	305.2
	Non-controlling interest	-	(1,033)	(100.0)
		387,789	94,677	309.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Net profit	387,789	94,677	309.6
	Other comprehensive loss:			
	Available-for-sale financial assets-			
	Fair value loss	(13,293)	(10,065)	32.1
	Currency translation differences	(5,218)	(4,471)	16.7
	Other comprehensive loss for the period, net of tax	(18,511)	(14,536)	27.3
	Total comprehensive income	369,278	80,141	360.8
	Total comprehensive income attributable to:			
	Equity holders of the Company	369,278	81,174	354.9
	Non-controlling interest	-	(1,033)	(100.0)
		369,278	80,141	360.8

Notes:-

1 Other income

	The Group	
	1 st Quarter Ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Government grants ^(a)	620	5,560
Finance lease income	58	163
Interest income ^(b)	24,888	19,156
	<u>25,566</u>	<u>24,879</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-net

	The Group	
	1 st Quarter Ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Currency translation gain-net ¹	79	9,858
Fair value gain on held for trading investment	171	-
Gain/(loss) on disposal of property, plant and equipment	919	(1,148)
Others ²	9,040	3,339
	<u>10,209</u>	<u>12,049</u>

¹The currency translation gain was mainly due to the revaluation of intercompany balances denominated in S\$ which had strengthened against RMB in 1Q2017.

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

3. Profit before tax includes the following items:-

	The Group	
	1 st Quarter Ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Depreciation and amortization	132,246	133,195
Staff costs ⁽¹⁾	100,829	96,671
Rental on operating lease	88	127

Note:

(1) The increase in staff cost was mainly due to bonus payments in 1Q2017.

4. Income Tax Expense

	The Group	
	1 st Quarter Ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	48,489	12,465
-Singapore	97	620
Deferred income tax	(360)	(36)
Adjustments in respect of the preceding financial years		
Current income tax	50	15
	<u>48,276</u>	<u>13,064</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 31/03/2017	As at 31/12/2016	As at 31/03/2017	As at 31/12/2016
Current assets					
Cash and cash equivalents		1,492,794	966,932	5,669	7,585
Bank balances pledged		987,264	1,571,779	-	-
Held for Trading Investments	1	651,926	725,943	-	-
Held-to-maturity financial assets	2	281,050	371,050	-	-
Trade and other receivables	3	881,318	570,020	221,694	220,270
Inventories	4	738,127	552,518	-	-
Other assets	5	426,976	672,066	526	88
Total current assets		5,459,455	5,430,308	227,889	227,943
Non-current assets					
Available-for-sale financial assets	6	190,696	203,988	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in an associate	7	3,882	4,001	-	-
Property, plant and equipment		2,184,828	2,229,273	50	63
Deferred tax assets		6,507	6,508	-	-
Intangible assets		-	1,440	-	-
Total non-current assets		2,385,913	2,445,210	1,984,966	1,984,979
Total assets		7,845,368	7,875,518	2,212,855	2,212,922
Current liabilities					
Trade and other payables	8	1,652,602	1,442,102	5,655	5,280
Notes payables		1,740,604	2,288,711	-	-
Borrowings		1,234,108	1,332,300	10	10
Income tax liabilities		61,358	39,879	-	-
Total current liabilities		4,688,672	5,102,992	5,665	5,290
Non-current liabilities					
Borrowings		220,158	204,906	30	32
Deferred income tax liabilities		22,889	23,249	-	-
Total non-current liabilities		243,047	228,155	30	32
Total liabilities		4,931,719	5,331,147	5,695	5,322
Net Assets		2,913,649	2,544,371	2,207,160	2,207,600
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		2,507,005	2,137,727	94,680	95,120
Equity attributable to owners of the Company		2,913,649	2,544,371	2,207,160	2,207,600
Non-controlling interests		-	-	-	-
Total equity		2,913,649	2,544,371	2,207,160	2,207,600

Notes:

1. This mainly 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.

Included in the held for trading investments is the Group's investment in EC World Reit. The Group acquired 2,350,000 shares in EC World Reit, a company which the CEO is Mr Lai Hock Meng, the lead independent director of the Company.

2. Held-to-maturity financial assets

	The Group	
	31/03/2017	31/12/2016
	RMB'000	RMB'000
Bohai International Trust Co., Ltd	200,000	200,000
Others	81,050	171,050
	<u>281,050</u>	<u>371,050</u>

The interest rate of the held-to-maturity financial asset ranges from 1.1% to 7.0% per annum and matures within 12 months.

3. Trade and other receivables - current

	The Group	
	31/03/2017	31/12/2016
	RMB'000	RMB'000
Finance lease receivables	214	1,256
Trade receivables ⁽¹⁾	104,486	135,280
Notes receivable ⁽²⁾	776,618	433,484
	<u>881,318</u>	<u>570,020</u>

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

⁽²⁾The increase was in line with higher revenue recorded in 1Q2017.

4. Inventories

	The Group	
	31/03/2017	31/12/2016
	RMB'000	RMB'000
Raw materials	423,668	368,290
Work-in-progress	202,868	133,192
Finished goods	104,411	45,200
Production supplies	7,180	5,836
	<u>738,127</u>	<u>552,518</u>

The increase in inventories was primarily due to higher raw materials prices in 1Q2017.

5. Other assets

	The Group	
	31/03/2017	31/12/2016
	RMB'000	RMB'000
Deposits for offices	67	65
Prepayments ^(a)	376,370	239,701
Entrusted loan to third parties	22,667	107,667
VAT and tax recoverable	2,570	52,318
Other receivables from Delong Thailand ^(b)	-	251,902
Others	25,302	20,413
	<u>426,976</u>	<u>672,066</u>

(a) Prepayments relate to advance payments made to suppliers for the purchase of raw materials.

(b) Other receivables comprised the sale consideration for the disposal of the Group's 55% shareholdings in Delong (Thailand) Co., Ltd ("Delong Thailand") and the shareholder loan owing by Delong Thailand. The sale consideration and the shareholder loan were fully received on 3 February 2017.

6. Available-for-sale financial assets

	The Group	
	31/03/2017	31/12/2016
	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	46,844	60,136
Shan Nan De Lian Heng Tong Investment	38,500	38,500
Qingdao Kutesmart Co., Ltd	60,000	60,000
CEG Ventures I, L.P	20,352	20,352
Others ⁽¹⁾	15,000	15,000
	<u>190,696</u>	<u>203,988</u>

Note:-

¹The interest rate of the available-for-sale financial assets ranges from 1.3% to 3.00% per annum.

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

8. Trade and other payables

	The Group	
	31/03/2017 RMB'000	31/12/2016 RMB'000
Trade payables to third parties	584,263	351,214
Letters of credit	146,204	146,253
VAT and other taxes payable	33,872	75,678
Payable to contractors for construction-in-progress	34,793	128,913
Advances from customers ⁽¹⁾	465,937	439,208
Other accrual for operating expenses	2,550	14,697
Accrual for interest expense	-	19,616
Accrual for staff cost	86,542	109,203
Due to directors (non-trade)	2,883	2,138
Deferred Income	15,647	17,848
Deferred government grant	51,387	44,507
Deposit from customers	197	819
Other payables from Tsing Duo ⁽²⁾	100,000	-
Other payables	128,327	92,008
	<u>1,652,602</u>	<u>1,442,102</u>

Notes:

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

² This related to the deposit received from Tsing Duo Group Co., Ltd in relation to the Company's Proposed Production Capacity Transfer announced on 3 April 2017.

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 31/03/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
225,010	1,009,098	691,010	641,290

Amount repayable after one year

As at 31/03/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
149,032	71,126	95,940	108,966

Details of any collateral

The Group's borrowings are secured by certain property, plant and equipment and pledged bank balances.

As at 31 March 2017, the Group's bank borrowings of approximately RMB1,585.1 million (2016: RMB 1,028.0 million) were guaranteed by third parties. The Group has also provided guarantees to banks for borrowings of third parties amounted to approximately RMB335.1 million (2016: RMB 475.1 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 st Quarter Ended	
	31/03/2017	31/03/2016
	RMB '000	RMB'000
Cash flows from operating activities:		
Profit after income tax	387,789	94,677
Adjustments for:		
Income tax expense	48,276	13,064
Depreciation	130,806	131,755
Amortisation of intangible assets	1,440	1,440
(Gain)/loss on disposal of property, plant and equipment	(919)	1,148
Fair value gain on held for trading investments	(171)	-
Share of loss of an associate	119	72
Interest income	(24,888)	(19,156)
Interest expense	30,894	49,859
Unrealised currency translation gain	(1,331)	(11,087)
	184,226	167,095
Operating cash flow before working capital changes	572,015	261,772
Bank balances pledged	584,515	(390,419)
Receivables	(66,208)	(166,288)
Inventories	(185,609)	37,048
Payables	160,503	89,164
	493,201	(430,495)
Cash generated from/(used in) operating activities	1,065,216	(168,723)
Income tax paid	(27,157)	(13,424)
Net cash generated from/(used in) operating activities	1,038,059	(182,147)
Cash flows from investing activities:		
Payments for property, plant and equipment (“PPE”)	(39,329)	(36,575)
Purchase of available-for-sale financial assets	-	(69)
Proceeds from disposal of held-to-maturity investments	90,000	-
Proceeds from disposal of held for trading investment	74,188	179,173
Interest received	24,888	19,156
Net cash generated from investing activities	149,747	161,685
Cash flows from financing activities:		
Proceeds from borrowings	464,169	895,463
Repayment of borrowings (including notes payables)	(1,095,219)	(556,490)
Interest paid	(30,894)	(49,859)
Net cash (used in)/generated from financing activities	(661,944)	289,114
Net increase in cash and cash equivalents	525,862	268,652
Cash and cash equivalents at beginning of the period	966,932	484,864
Cash and cash equivalents at end of the period	1,492,794	753,516

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 Group</u>	Share Capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000
Balance as at 1 January 2017	406,644	261,613	(304)	23,424	141,072	1,711,922	2,544,371
Total comprehensive (loss)/income for the period	-	-	(13,293)	(5,218)	-	387,789	369,278
Balance as at 31 March 2017	406,644	261,613	(13,597)	18,206	141,072	2,099,711	2,913,649

<u>The Group</u>	Share Capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000	Capital reserve RMB '000	Non- controlling interest RMB '000	Total equity RMB '000
Balance as at 1 January 2016	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
Balance as at 31 March 2016	406,644	261,613	(33,163)	4,179	141,072	1,594,602	2,374,947	-	54,044	2,428,991

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	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2017	2,112,480	249,218	(154,098)	2,207,600
Total comprehensive income for the period	-	-	(440)	(440)
Balance as at 31 March 2017	<u>2,112,480</u>	<u>249,218</u>	<u>(154,538)</u>	<u>2,207,160</u>

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2016	2,112,480	249,218	(152,769)	2,208,929
Total comprehensive income for the period	-	-	4,703	4,703
Balance as at 31 March 2016	<u>2,112,480</u>	<u>249,218</u>	<u>(148,066)</u>	<u>2,213,632</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

Changes in the Share Capital of the Company for 1st Quarter Ended	31/03/2017	31/03/2016
Number of ordinary shares as at 1 January	110,182,709	110,182,709
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 31 March	110,182,709	110,182,709

There were no outstanding convertibles as at 31 March 2017.

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 2016.

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 st Quarter Ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Net profit for the period	387,789	95,710
Basic earnings per share (in RMB)	3.52	0.87
Diluted earnings per share (in RMB)	3.52	0.87

Explanatory Notes:

Basic earnings 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	
	31/03/201	31/12/2016	31/03/2017	31/12/2016
Net Asset Value per share (RMB)	26.44	23.09	20.03	20.04

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**

1Q2017 vs 1Q2016

Revenue

Group revenue increased by RMB900.5 million or 43.2% from RMB2,086.2 million in 1Q2016 to RMB2,986.7 million in 1Q2017. The increase in revenue was principally attributed to a significant increase in average selling prices of HRC amid tighter supplies following production cuts and increased infrastructure and construction activities in the PRC during the period under review.

In 1Q2017, the Group sold 909,673 tonnes of HRC and 32 tonnes of steel billets, compared to 998,023 tonnes of HRC and 229 tonnes of steel billets in 1Q2016. Overall sales quantity decreased by 88,547 tonnes or 8.9%.

The Group recorded lower sales volume in 1Q2017 mainly due to the maintenance exercise carried out at one of its three blast furnaces in Delong Steel Limited coupled with deconsolidation of sales from Delong (Thailand) Co., Ltd (“Delong Thailand”). Delong Thailand was divested in 4Q2016.

Cost of sales

Total cost of sales increased by RMB586.1 million or 31.3%, from RMB1,872.2 million in 1Q2016 to RMB2,458.3 million in 1Q2017. The increase was primarily due to higher iron ore prices for production amid strong demand from mills in 1Q2017 as compared to the corresponding period.

Gross profit

Gross profit increased by RMB314.3 million from RMB214.1 million in 1Q2016 to RMB528.4 million in 1Q2017.

Gross profit margin increased by 7.4 percentage points from 10.3% in 1Q2016 to 17.7% in 1Q2017. The increase was primarily due to the increase in average selling prices of products sold, which significantly outpaced the increase in prices of raw materials in 1Q2017.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB12.2 million, from RMB15.5 million in 1Q2016, to RMB27.7 million in 1Q2017. This was due mainly to higher transportation costs associated with the delivery of Aoyu Steel's HRC products to customers in the PRC, in line with higher sales recorded by Aoyu Steel in 1Q2017.

Administrative expenses

Administrative expenses decreased by RMB8.4 million, from RMB77.8 million in 1Q2016 to RMB69.4 million in 1Q2017. The decrease was primarily due to the disposal of the Group's 55% owned subsidiary, Delong Thailand, coupled with the Group's cost containment measures during the period under review.

Finance expenses

Finance expenses decreased by RMB19.0 million from RMB49.9 million in 1Q2016 to RMB30.9 million in 1Q2017. The decrease was mainly due to reduction in bank borrowings including notes payables in 1Q2017.

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 RMB387.8 million in 1Q2017, compared to RMB95.7 million in 1Q2016. The net profit margin was 13.0% in 1Q2017, compared to 4.5% in 1Q2016.

(b) Review of balance sheet of the Group as at 31 March 2017**Current assets**

Current assets increased by RMB29.2 million, from RMB5,430.3 million as at 31 December 2016 to RMB5,459.5 million as at 31 March 2017, primarily due to the increase in notes receivable which was in line with higher revenue as well as higher inventories in 1Q2017.

Current liabilities

Current liabilities decreased by RMB414.3 million, from RMB5,103.0 million as at 31 December 2016 to RMB4,688.7 million as at 31 March 2017, primarily due to repayments of bank borrowings and notes payables during the period under review. The decrease was partially offset by the increase in trade payables.

Working capital

The working capital position improved by RMB443.5 million, from RMB327.3 million as at 31 December 2016, to RMB770.8 million as at 31 March 2017.

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 RMB44.5 million, from RMB2,229.3 million as at 31 December 2016 to RMB2,184.8 million as at 31 March 2017. 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 RMB14.8 million, from RMB228.2 million as at 31 December 2016 to RMB243.0 million as at 31 March 2017, 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**

1Q2017 vs 1Q2016

Net Cash Used In Operating Activities

Operating cashflow before working capital changes increased by RMB310.2 million, from RMB261.8 million in 1Q2016 to RMB572.0 million in 1Q2017, primarily due to the increase in operating profit. Cash from operating activities increased by RMB1,220.2 million from a negative position RMB182.1 million in 1Q2016 to a positive position RMB1038.1 million in 1Q2017, attributable mainly to a decrease in 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 RMB149.7 million in 1Q2017. This was mainly attributable to proceeds from the disposal of held for trading investments and held-to-maturity investments in 1Q2017.

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

Net Cash Used In Financing Activities

Net cash used in financing activities was RMB661.9 million in 1Q2017. This was mainly attributable to the drawdown of bank borrowings of RMB464.2 million for working capital, loan principal and interest repayments of RMB1,126.1 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 27 April 2017 that the Company would report a significant rise in net profit for the three months ended 31 March 2017.

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

While the overall outlook for the PRC steel industry remains challenging, steel prices enjoyed a buoyant first quarter in 2017 driven by strong infrastructure and property construction spending and a renewed push by the PRC Government to cut excess capacity in the steelmaking industry.

The PRC Government has also announced plans to reduce steelmaking capacity in Hebei Province by 31.86 million tonnes in 2017, and will accelerate production cuts in Hebei's Langfang, Baoding and Zhangjiakou cities. The Company's subsidiary, Laiyuan County Aoyu Steel Co., Ltd. ("Aoyu Steel"), is located in Baoding, one of the affected cities under the Capacity Reduction Plans. Based on latest discussions between the Company and the relevant regulatory authorities in the PRC, Aoyu Steel will be required to cease steelmaking operations by 3Q2017, which will adversely impact the Group's financial position.

As part of the ongoing efforts to control pollution, steel producers are also required to reduce output by at least half during the peak winter heating months and/or smog days in 2017.

Industrial pollution also remains a primary concern in the PRC and the ongoing haze issue is also expected to have impacts on 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 material.

Nevertheless, the Group's will continue to selectively engage in opportunities to invest in quoted and/or unquoted securities, as well as the provision of seed and mezzanine capital to private companies with growth

potential and undertaking business incubation. 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 first quarter 31 March 2017.

13. Interested person transactions

There was no interested party transaction for the financial period ended 31 March 2017.

**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

18. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the form set out in Appendix 7.7) under Rule 720(1).**

Undertakings under Rule 720(1) Appendix 7.7 have been obtained from all directors and executive officers.

BY ORDER OF THE BOARD

Ding Liguó
Executive Chairman