



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

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

	Note	The Group					Increase (Decrease) %	
		2 nd Quarter Ended		Increase (Decrease) %	Half Year Ended			Increase (Decrease) %
		30/06/2017 RMB'000	30/06/2016 RMB'000		30/06/2017 RMB'000	30/06/2016 RMB'000		
Sales		3,199,044	2,543,396	25.8	6,185,748	4,629,695	33.6	
Cost of sales		(2,623,990)	(2,141,953)	22.5	(5,082,297)	(4,014,143)	26.6	
Gross Profit		575,054	401,443	43.2	1,103,451	615,552	79.3	
Other Income	1	26,578	23,984	10.8	52,144	48,863	6.7	
Other (losses)/gains-net	2	(19,232)	(1,920)	n.m	(9,023)	10,129	n.m	
Expenses								
-Distribution and marketing		(32,666)	(20,031)	63.1	(60,344)	(35,571)	69.6	
-Administrative		(69,204)	(73,424)	(5.7)	(138,620)	(151,249)	(8.3)	
-Finance		(25,413)	(55,300)	(54.0)	(56,307)	(105,159)	(46.5)	
Share of loss of an associate		(160)	(81)	97.5	(279)	(153)	82.4	
Profit before tax	3	454,957	274,671	65.6	891,022	382,412	133.0	
Income tax (expense)/credit	4	(74,110)	10,516	n.m	(122,386)	(2,548)	n.m	
Net Profit		380,847	285,187	33.5	768,636	379,864	102.3	
Profit attributable to:								
Equity holders of the Company		380,847	284,800	33.7	768,636	380,510	102.0	
Non-controlling interest		-	387	(100.0)	-	(646)	(100.0)	
		380,847	285,187	33.5	768,636	379,864	102.3	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit	380,847	285,187	33.5	768,636	379,864	102.3
Other comprehensive income						
Available-for-sale financial assets- Fair value gain	(536)	19,181	n.m	(13,829)	9,116	n.m
Currency translation differences	(2,185)	1,135	n.m	(7,403)	(3,336)	121.9
Other comprehensive income for the period, net of tax	(2,721)	20,316	n.m	(21,232)	5,780	n.m
Total comprehensive income	378,126	305,503	23.8	747,404	385,644	93.8
Total comprehensive income attributable to:						
Equity holders of the Company	378,126	305,116	23.9	747,404	386,290	93.5
Non-controlling interest	-	387	(100.0)	-	(646)	n.m
	378,126	305,503	23.8	747,404	385,644	93.8

nm-not meaningful

Notes to the Income Statements

1 Other Income

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant ^(a)	280	6,049	900	11,609
Finance lease income	199	428	257	591
Interest income	26,099	17,507	50,987	36,663
	<u>26,578</u>	<u>23,984</u>	<u>52,144</u>	<u>48,863</u>

Note:

^(a) 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

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Currency translation (loss)/gain-net ^(a)	(6,762)	9,838	(6,683)	19,696
Fair value gain on held for trading investment	627	-	798	-
Loss on disposal of property, plant and equipment ("PPE")	(9,748)	(11,658)	(8,829)	(12,806)
Others ^(b)	(3,349)	(100)	5,691	3,239
	<u>(19,232)</u>	<u>(1,920)</u>	<u>(9,023)</u>	<u>10,129</u>

Notes:

(a) The currency translation loss was mainly due to the revaluation of intercompany balances denominated in USD, which weakened against RMB for the second quarter ended 30 June 2017 ("2Q2017").

(b) Others comprised the sale of gas, oxygen, electricity, etc.

3. Profit before taxation includes the following items:-

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization ^(a)	31,034	108,782	163,280	241,977
Staff costs ^(b)	81,120	153,541	181,949	250,212
Operating lease rental	88	132	176	259

Notes:

- (a) The decrease in depreciation and amortization in 2Q2017 and for the first half of 2017 (“1H2017”) was mainly due to certain assets being fully impaired or depreciated as well as the deconsolidation of depreciation charges of Delong (Thailand) Co., Ltd (“Delong Thailand”). Delong Thailand was divested in 4Q2016.
- (b) The decrease in staff costs in 2Q2017 and 1H2017 was mainly due to lower headcount with the disposal of Delong Thailand coupled with lower provision for staff bonus in 1H2017 as compared to previous corresponding period.

4. Income Tax (Credit)/Expense

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	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	73,540	(10,887)	122,029	1,578
-Singapore	570	391	668	1,011
Deferred income tax	-	(36)	(360)	(72)
Adjustments in respect of the preceding financial years				
-Current income tax	-	16	49	31
	<u>74,110</u>	<u>(10,516)</u>	<u>122,386</u>	<u>2,548</u>

The effective tax rate for 2Q2017 and 1H2017 was lower than the amount obtained by applying the People’s Republic of China (“PRC”) statutory rate of 25% on profit before tax mainly due to a subsidiary in the PRC being granted for High and New Technology Enterprise (“Hi-Tech”) qualification and is taxed at a concessionary tax rate of 15% for three years commencing 9 September 2014.

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 30/06/2017	As at 31/12/2016	As at 30/06/2017	As at 31/12/2016
Current assets					
Cash and cash equivalents		1,337,848	966,932	1,402	7,585
Bank balances pledged		1,147,614	1,571,779	-	-
Held for Trading Investments	1	1,004,178	725,943	-	-
Held-to-maturity financial assets	2	239,327	371,050	-	-
Trade and other receivables	3	834,107	570,020	219,436	220,270
Inventories	4	711,310	552,518	-	-
Other assets	5	377,085	672,066	262	88
Total current assets		5,651,469	5,430,308	221,100	227,943
Non-current assets					
Available-for-sale financial assets	6	216,320	203,988	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in an associate	7	3,722	4,001	-	-
Property, plant and equipment		2,202,071	2,229,273	37	63
Deferred tax assets		6,508	6,508	-	-
Intangible assets		-	1,440	-	-
Total non-current assets		2,428,621	2,445,210	1,984,953	1,984,979
Total assets		8,080,090	7,875,518	2,206,053	2,212,922
Current liabilities					
Trade and other payables	8	2,415,978	1,442,102	2,885	5,280
Notes payables		708,765	2,288,711	-	-
Borrowings		1,191,081	1,332,300	10	10
Income tax liabilities		62,593	39,879	-	-
Total current liabilities		4,378,417	5,102,992	2,895	5,290
Non-current liabilities					
Borrowings		387,009	204,906	27	32
Deferred income tax liabilities		22,889	23,249	-	-
Total non-current liabilities		409,898	228,155	27	32
Total liabilities		4,788,315	5,331,147	2,922	5,322
Net Assets		3,291,775	2,544,371	2,203,131	2,207,600
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		2,885,131	2,137,727	90,651	95,120
Equity attributable to owners of the Company		3,291,775	2,544,371	2,203,131	2,207,600
Non-controlling interests		-	-	-	-
Total equity		3,291,775	2,544,371	2,203,131	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.

2. Held-to-maturity financial assets

	The Group	
	30/06/2017	31/12/2016
	RMB'000	RMB'000
Bohai International Trust Co., Ltd	200,000	200,000
Others	39,327	171,050
	<u>239,327</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	
	30/06/2017	31/12/2016
	RMB'000	RMB'000
Finance lease receivables	-	1,256
Trade receivables ⁽¹⁾	85,820	135,280
Notes receivable ⁽²⁾	748,287	433,484
	<u>834,107</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 1H2017.

4. Inventories

	The Group	
	30/06/2017	31/12/2016
	RMB'000	RMB'000
Raw materials	422,757	368,290
Work-in-progress	218,601	133,192
Finished goods	58,934	45,200
Production supplies	11,018	5,836
	<u>711,310</u>	<u>552,518</u>

The increase in inventories was primarily due to higher raw materials prices in 1H2017.

5. Other assets

	The Group	
	30/06/2017	31/12/2016
	RMB'000	RMB'000
Deposits for offices	66	65
Prepayments ^(a)	313,337	239,701
Entrusted loan to third parties	-	107,667
VAT and tax recoverable	28,952	52,318
Other receivables from Delong Thailand ^(b)	-	251,902
Others	34,730	20,413
	<u>377,085</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 and the shareholder loan owed 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	
	30/06/2017	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	46,308	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	34,988	20,352
Shunwei Technology Equity Investment L.P	3,996	-
Others ⁽¹⁾	22,528	15,000
	<u>216,320</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	
	30/06/2017 RMB'000	31/12/2016 RMB'000
Trade payables to third parties	551,278	351,214
Letters of credit	777,525	146,253
VAT and other taxes payable	8	75,678
Payable to contractors for construction-in-progress	25,722	128,913
Advances from customers ⁽¹⁾	663,208	439,208
Other accrual for operating expenses	1,443	14,697
Accrual for interest expense	2,933	19,616
Accrual for staff cost	73,725	109,203
Due to directors (non-trade)	1,538	2,138
Deferred Income	-	17,848
Deferred government grant	73,866	44,507
Deposit from customers	-	819
Other payables from Tsing Duo ⁽²⁾	100,000	-
Other payables	144,732	92,008
	<u>2,415,978</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 Tuo Group Co., Ltd (“Tsing Tuo”) in relation to the Company’s Proposed Production Capacity Transfer announced on 3 April 2017.

Subsequent to the financial period ended 30 June 2017, the Company has received the balance of the Consideration of RMB300.0 million in respect of the Production Capacity Transfer from Tsing Tuo. The Company will announce the use of RMB400.0 million from the Production Capacity Transfer, as and when there are material utilization of the amount.

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 30/06/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
908,010	283,071	691,010	641,290

Amount repayable after one year

As at 30/06/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
351,027	35,982	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 30 June 2017, the Group's bank borrowings of approximately RMB1,420.2 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

	Note	The Group			
		2 nd Quarter Ended		Half Year Ended	
		30/06/2017	30/06/2016	30/06/2017	30/06/2016
		RMB '000	RMB '000	RMB '000	RMB '000
Cash flows from operating activities:					
Profit after income tax		380,847	285,187	768,636	379,864
Adjustments for:					
Depreciation		31,034	107,342	161,840	239,097
Amortisation of intangible asset		-	1,440	1,440	2,880
Loss on disposal of property, plant and equipment		9,748	11,658	8,829	12,806
Fair value gain on held for trading investments		(627)	-	(798)	-
Share of loss of an associate company		160	81	279	153
Interest income		(26,099)	(17,507)	(50,987)	(36,663)
Interest expense		25,413	55,300	56,307	105,159
Income tax expense		74,110	(10,516)	122,386	2,548
Unrealised currency translation loss		(4,362)	(7,677)	(5,693)	(18,764)
		109,377	140,121	293,603	307,216
Operating cash flow before working capital changes		490,224	425,308	1,062,239	687,080
Bank balances pledged		(160,350)	200,611	424,165	(189,808)
Receivables		97,102	122,871	30,894	(43,417)
Inventories		26,816	(94,449)	(158,793)	(57,401)
Payables		813,372	(35,115)	973,875	54,049
		776,940	193,918	1,270,141	(236,577)
Cash provided by operating activities		1,267,164	619,226	2,332,380	450,503
Income tax credit/(paid)		(72,875)	10,156	(100,032)	(3,268)
Net cash provided by operating activities		1,194,289	629,382	2,232,348	447,235
Cash flows from investing activities:					
Payments for property, plant and equipment		(105,843)	(109,433)	(145,172)	(146,008)
Purchase of available-for-sale financial assets		(26,161)	(50,053)	(26,161)	(50,122)
Purchase of held for trading investments		(351,625)	(506,345)	(277,437)	(327,172)
Proceeds from disposal of held-to-maturity financial assets		41,723	200,000	131,723	200,000
Interest received		26,099	17,507	50,987	36,663
Net cash used in investing activities		(415,807)	(448,324)	(266,060)	(286,639)
Cash flows from financing activities:					
Proceeds from borrowings		802,407	745,564	1,266,576	1,641,027
Repayment of borrowings		(1,710,422)	(879,721)	(2,805,641)	(1,436,211)
Interest paid		(25,413)	(55,300)	(56,307)	(105,159)
Net cash (used in)/ provided by financing activities		(933,428)	(189,457)	(1,595,372)	99,657
Net (decrease)/ increase in cash and cash equivalents		(154,946)	(8,399)	370,916	260,253
Cash and cash equivalents at beginning of the period		1,492,794	753,516	966,932	484,864
Cash and cash equivalents at end of the period		1,337,848	745,117	1,337,848	745,117

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

The Group	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
Total comprehensive (loss)/income for the period	-	-	(536)	(2,185)	-	380,847	378,126
Balance as at 30 June 2017	406,644	261,613	(14,133)	16,021	141,072	2,480,558	3,291,775

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

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 loss for the period	-	-	(440)	(440)
Balance as at 31 March 2017	2,112,480	249,218	(154,538)	2,207,160
Total comprehensive loss for the period	-	-	(4,029)	(4,029)
Balance as at 30 June 2017	2,112,480	249,218	(158,567)	2,203,131

<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	2,112,480	249,218	(148,066)	2,213,632
Total comprehensive income for the period	-	-	2,410	2,410
Balance as at 30 June 2016	2,112,480	249,218	(145,656)	2,216,042

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	30/06/2017	30/06/2016
Number of ordinary shares as at 1 April	110,182,709	110,182,709
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 30 June	110,182,709	110,182,709

There were no outstanding convertibles as at 30 June 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			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	380,847	284,800	768,636	380,510
Basic earnings per share (in RMB)	3.46	2.58	6.98	3.45
Diluted earnings per share (in RMB)	3.46	2.58	6.98	3.45

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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net Asset Value per share (RMB)	29.88	23.09	20.00	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) **Financial Review for the second quarter and six months ended 30 June 2017**

2Q2017 vs 2Q2016

Revenue

Group revenue increased by RMB655.6 million or 25.8% from RMB2,543.4 million in 2Q2016 to RMB3,199.0 million in 2Q2017. The increase in revenue was principally attributed to a significant increase in average selling prices of hot rolled coil (“HRC”) coupled with an increase in sales volume of HRC driven by infrastructure and construction activities in the PRC in 2Q2017 as compared to previous corresponding period.

In 2Q2017, the Group sold 1,130,200 tonnes of HRC and 33 tonnes of steel billets as compared to 1,038,809 tonnes of HRC and 346 tonnes of steel billets in 2Q2016. Overall sales quantity increased by 91,078 tonnes or 8.8%.

Cost of sales

Total cost of sales increased by RMB482.0 million or 22.5%, from RMB2,142.0 million in 2Q2016 to RMB2,624.0 million in 2Q2017. The increase was primarily due to higher raw material prices for steel production coupled with higher sales volume in 2Q2017 as mentioned above as compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB173.7 million or 43.2%, from RMB401.4 million in 2Q2016 to RMB575.1 million in 2Q2017.

Gross profit margin increased by 2.2 percentage points from 15.8% in 2Q2016 to 18.0% in 2Q2017. The increase was primarily due to the increase in average selling prices of products sold which slightly outpaced the increase in raw materials prices in 2Q2017.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB12.7 million, from RMB20.0 million in 2Q2016, to RMB32.7 million in 2Q2017. The increase was 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 2Q2017.

Administrative expenses

Administrative expenses decreased by RMB4.2 million, from RMB73.4 million in 2Q2016 to RMB69.2 million in 2Q2017, primarily due to the disposal of the Group’s 55% owned subsidiary, Delong Thailand as well as lower provision for staff bonus in 2Q2017 as compared to previous corresponding period.

Finance expenses

Finance expenses decreased by RMB29.9 million from RMB55.3 million in 2Q2016 to RMB25.4 million in 2Q2017, primarily due to the significant decrease in notes payables, which in turn reduced the interest expenses in 2Q2017.

Net profit

As a result of higher operating profit, the Group reported a net profit of RMB380.8 million in 2Q2017, compared to RMB284.8 million in 2Q2016. The net profit margin was 11.9% and 11.2% in 2Q2017 and 2Q2016, respectively.

1H2017 vs 1H2016**Revenue**

Group revenue increased by RMB1,556.0 million or 33.6%, from RMB4,629.7 million in 1H2016, to RMB6,185.7 million in 1H2017. The increase in revenue was principally attributed to a significant increase in average selling prices of HRC sold amid tighter supplies following production cuts and increased infrastructure and construction activities in the PRC.

In 1H2017, the Group sold 2,039,873 tonnes of HRC and 66 tonnes of steel billets as compared to 2,036,591 tonnes of HRC and 575 tonnes of steel billets in 1H2016. Overall sales quantity increased by 2,773 tonnes or 0.1%.

Cost of sales

Total cost of sales increased by RMB1,068.2 million or 26.6%, from RMB4,014.1 million in 1H2016 to RMB5,082.3 million in 1H2017. The increase was primarily due to higher raw materials prices for production amid rising iron ore demand from mills in 1H2017 as compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB487.9 million or 79.3%, from RMB615.6 million in 1H2016, to RMB1,103.5 million in 1H2017.

Gross profit margin increased by 4.5 percentage points, from 13.3% in 1H2016 to 17.8% in 1H2017. The increase was primarily due to the increase in average selling prices of products sold which outpaced the increase in raw materials prices in 1H2017 coupled with production efficiency amid continued improvement to the production facilities.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB24.7 million, from RMB35.6 million in 1H2016, to RMB60.3 million in 1H2017. The increase in distribution and marketing expenses was primarily due to higher 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 decreased by RMB12.6 million, from RMB151.2 million in 1H2016, to RMB138.6 million in 1H2017, primarily due to the disposal of the Group's 55% owned subsidiary, Delong Thailand, coupled with lower provision for staff bonus during the period under review.

Finance expenses

Finance expenses decreased by RMB48.9 million, from RMB105.2 million in 1H2016, to RMB56.3 million in 1H2017, mainly due to reduction in notes payables in 1H2017 compared to 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 RMB768.6 million in 1H2017, compared to a net profit of RMB380.5 million in 1H2016. The net profit margin was 12.4% and 8.2% in 1H2017 and 1H2016, respectively.

(b) Review of balance sheet of the Group as at 30 June 2017

Current assets

Current assets increased by RMB221.2 million, from RMB5,430.3 million as at 31 December 2016 to RMB5,651.5 million as at 30 June 2017, primarily due to the increase in held for trading investments, higher inventories as well as higher notes receivable which was in line with higher revenue in 1H2017.

Current liabilities

Current liabilities decreased by RMB724.6 million, from RMB5,103.0 million as at 31 December 2016 to RMB4,378.4 million as at 30 June 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 the utilization of letter of credit (classified under trade and other payables) for payments to creditors and suppliers.

The higher utilization of letter of credit was due to the lower security requirement as compared to notes payables.

Working capital

The working capital position improved by RMB945.8 million, from RMB327.3 million as at 31 December 2016, to RMB1,273.1 million as at 30 June 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 RMB27.2 million, from RMB2,229.3 million as at 31 December 2016 to RMB2,202.1 million as at 30 June 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 RMB181.7 million, from RMB228.2 million as at 31 December 2016 to RMB409.9 million as at 30 June 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

2Q2017 vs 2Q2016

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by RMB64.9 million, from RMB425.3 million in 2Q2016 to RMB490.2 million in 2Q2017, primarily due to the increase in operating profit. Cash from operating activities increased by RMB648.0 million from RMB619.2 million in 2Q2016 to RMB1,267.2 million in 2Q2017, attributable mainly to the increase in the issuance of letters of credit in place of notes payables for the period under review.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB415.8 million in 2Q2017. 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 RMB933.4 million in 2Q2017. This was mainly attributable to the drawdown of bank borrowing of RMB802.4 million for working capital purposes, loan principal and interest repayments of RMB1,735.8 million.

1H2017 vs 1H2016**Net Cash Used In Operating Activities**

Operating cashflow before working capital changes increased by RMB375.1 million, from RMB687.1 million in 1H2016 to RMB1,062.2 million in 1H2017, primarily due to the increase in operating profit. Net cash from operating activities increased by RMB1,785.1 million from RMB447.2 million in 1H2016, to RMB2,232.3 million in 1H2017, attributable mainly to the decrease in bank balances pledged as security to banks for the issuance of notes payable as well as the increase in trade and other payables including letters of credit during the period under review.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB266.1 million in 1H2017. 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 RMB1,595.4 million in 1H2017. This was mainly attributable to the drawdown of bank borrowings of RMB1,266.6 million, loan principal and interest repayments of RMB2,861.9 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 not previously made any prospect statements to its shareholders.

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 steel prices enjoyed a buoyant first half in 2017 driven by strong infrastructure and property construction spending, the operating outlook for the PRC steel industry is expected to remain challenging as steel prices remained volatile, as well as continued government efforts to reduce 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 the latest discussions between the Company and the relevant regulatory authorities in the PRC, Aoyu Steel will be required to cease steelmaking operations by 4Q2017, which will adversely impact the Group's financial position.

Further, as part of government efforts to control pollution, steel producers are required to reduce output by least half during the peak pollution season over the winter months and/or smoggy days.

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, continually invests in technological upgrades and enhancements to reduce emission, improve energy efficiency and recycling of waste material. Such technological enhancements, undertaken from time to time, also strengthen the production efficiency of the Group's facility, thereby reducing operating costs.

To diversify, the Group will also 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. The Group will also diversify into asset management business in due course, subject to obtaining the Type 9 Licence by the Securities and Futures Commission of Hong Kong.

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 2017.

13. Interested person transactions

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