



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 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) %
		4 th Quarter Ended		Increase (Decrease) %	Year Ended		
		31/12/2017 RMB'000	31/12/2016 RMB'000		31/12/2017 RMB'000	31/12/2016 RMB'000	
Sales		2,978,502	2,711,113	9.9	12,831,279	9,874,981	29.9
Cost of sales		(2,232,355)	(2,242,682)	(0.5)	(10,102,751)	(8,410,749)	20.1
Gross profit		746,147	468,431	59.3	2,728,528	1,464,232	86.3
Other Income	1	56,094	27,868	101.3	141,240	88,948	58.8
Other (losses)/gains-net	2	(37,254)	(699,528)	n.m	302,748	(676,832)	n.m
Expenses							
-Distribution and marketing		(6,981)	(19,429)	(64.1)	(87,990)	(76,576)	14.9
-Administrative		(139,936)	(40,561)	245.0	(374,298)	(260,351)	43.8
-Finance		(67,354)	(80,731)	(16.6)	(153,066)	(230,361)	(33.6)
Share of loss of an associate company		(206)	(89)	131.5	(606)	(339)	78.8
Profit/(loss) before tax	3	550,510	(344,039)	260.0	2,556,556	308,721	728.1
Income tax expenses	4	(223,174)	(57,824)	286.0	(486,650)	(99,398)	389.6
Net Profit/(loss)		327,336	(401,863)	181.5	2,069,906	209,323	888.9
Profit/(loss) attributable to:							
Equity holders of the Company		327,336	(396,770)	182.5	2,069,906	213,030	871.7
Non-controlling interest		-	(5,093)	(100.0)	-	(3,707)	(100.0)
		327,336	(401,863)	181.5	2,069,906	209,323	888.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit/(loss)	327,336	(401,863)	181.5	2,069,906	209,323	888.9
Other comprehensive (loss)/income:						
Available-for-sale financial assets						
-Fair value loss	(4,353)	1,134	n.m	(23,232)	22,794	n.m
Revaluation of property	(77,837)	-	n.m	-	-	n.m
Currency translation differences	(2,744)	14,237	n.m	(12,247)	14,774	n.m
Other comprehensive (loss)/income for the period, net of tax	(84,934)	15,371	n.m	(35,479)	37,568	n.m
Total comprehensive income/(loss)	242,402	(386,492)	162.7	2,034,427	246,891	724.0
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	242,402	(381,399)	163.6	2,034,427	250,598	711.8
Non-controlling interest	-	(5,093)	(100.0)	-	(3,707)	(100.0)
	242,402	(386,492)	162.7	2,034,427	246,891	724.0

nm-not meaningful

Notes:-

1 Other Income

	The Group			
	4th Quarter Ended		Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant ^(a)	(3,854)	2,991	7,097	16,778
Finance lease income	250	(1,148)	608	(744)
Interest income ^(b)	46,561	25,912	120,398	72,801
Dividend income	13,137	113	13,137	113
	56,094	27,868	141,240	88,948

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 (losses)/gains-net

	The Group			
	4th Quarter Ended		Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain/(loss) financial assets at fair value through profit or loss	3,196	(208)	3,479	(825)
Currency translation gain/(loss)-net	1,291	2,721	(20,697) ^(a)	31,314
Loss on disposal of property, plant and equipment	(40,293)	(498)	(47,493)	(13,318)
Allowance for doubtful debts	-	(2,903)	-	(2,903)
Allowance for inventories	-	(37,867)	-	(37,867)
Impairment charges on property, plant and equipment ^(b)	-	(600,000)	-	(600,000)
Prepaid lease written off	-	(20,791)	-	(20,791)
Loss on disposal of a subsidiary	-	(3,416)	-	(3,416)
Sale of Production Capacity Transfer ^(c)	-	-	377,358	-
Allowance for impairment charge on available-for-sale financial assets	(50,000)	(45,000)	(50,000)	(45,000)
Other ^(d)	48,552	8,434	40,101	15,974
	(37,254)	(699,528)	302,748	(676,832)

Notes:

- (a) The currency translation loss was mainly due to the revaluation of bank balances and intercompany balances denominated in USD and SGD, which weakened against RMB for the financial year ended 31 December 2017 ("FY2017").
- (b) This refers to the impairment charge of RMB600.0 million on Aoyu Steel's production facilities.
- (c) Please refer to the Company's announcements dated 18 January 2017, 22 August 2017 and 31 August 2017 for further details. 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.
- (d) Others comprised the sale of gas, oxygen, electricity, etc.

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

	The Group			
	4 th Quarter Ended		Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization ^(a)	69,218	135,796	323,359	465,495
Salaries and wages ^(b)	87,267	101,903	367,014	459,274
Operating lease rental	88	87	352	608

Notes:

(a) The decrease in depreciation and amortization for the fourth quarter of 2017 (“4Q2017”) and FY2017 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 4Q2017 and FY2017 was mainly due to lower headcount with the disposal of Delong Thailand as well as the cessation of Aoyu Steel’s operations in August 2017 as compared to previous corresponding period.

4. Income Tax Expense

	The Group			
	4 th Quarter Ended		Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense				
-Foreign	223,013	57,414	486,092	97,817
-Singapore	161	465	869	2,685
Deferred income tax	-	(360)	(360)	(1,440)
Under provision in preceding financial years				
-Current income tax	-	305	49	336
	<u>223,174</u>	<u>57,824</u>	<u>486,650</u>	<u>99,398</u>

Note:

The effective tax rate for FY2017 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. The concessionary tax rate of 15% has since been extended to 9 September 2020.

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 31/12/2017	As at 31/12/2016	As at 31/12/2017	As at 31/12/2016
Current assets					
Cash and cash equivalents		2,135,871	966,932	2,127	7,585
Bank balances pledged		1,111,559	1,571,779	-	-
Held for Trading Investments	1	982,927	725,943	-	-
Held-to-maturity financial assets	2	30,000	371,050	-	-
Trade and other receivables	3	928,412	570,020	188,603	220,270
Inventories	4	812,037	552,518	-	-
Non-current assets held for sales	5	67,672	-	-	-
Other assets	6	972,150	672,066	225	88
Total current assets		7,040,628	5,430,308	190,955	227,943
Non-current assets					
Other assets	6	6,000	-	-	-
Held-to-maturity financial assets	2	6,512	-	-	-
Available-for-sale financial assets	7	233,448	203,988	-	-
Investments in subsidiaries		-	-	2,010,492	1,984,916
Investment in an associate	8	3,395	4,001	-	-
Investment in joint venture	9	446,400	-	-	-
Property, plant and equipment		2,181,129	2,229,273	33	63
Deferred tax assets		8,480	6,508	-	-
Intangible assets		-	1,440	-	-
Total non-current assets		2,885,364	2,445,210	2,010,525	1,984,979
Total assets		9,925,992	7,875,518	2,201,480	2,212,922
Current liabilities					
Trade and other payables	10	2,563,115	1,442,102	7,580	5,280
Notes payables		1,159,092	2,288,711	-	-
Borrowings		955,802	1,332,300	10	10
Income tax liabilities		348,844	39,879	-	-
Total current liabilities		5,026,853	5,102,992	7,590	5,290
Non-current liabilities					
Borrowings		297,452	204,906	22	32
Deferred income tax liabilities		22,889	23,249	-	-
Total non-current liabilities		320,341	228,155	22	32
Total liabilities		5,347,194	5,331,147	7,612	5,322
Net Assets		4,578,798	2,544,371	2,193,868	2,207,600
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		4,172,154	2,137,727	81,388	95,120
Equity attributable to owners of the Company		4,578,798	2,544,371	2,193,868	2,207,600
Non-controlling interests		-	-	-	-
Total equity		4,578,798	2,544,371	2,193,868	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	
	31/12/2017	31/12/2016
	RMB'000	RMB'000
Bohai International Trust Co., Ltd	-	200,000
Others	36,512	171,050
	<u>36,512</u>	<u>371,050</u>

The interest rate of the held-to-maturity financial asset ranges from 1.1% to 7.5% per annum.

Analysed as:

Current	30,000	371,050
Non-current	6,512	-
	<u>36,512</u>	<u>371,050</u>

3. Trade and other receivables - current

	The Group	
	31/12/2017	31/12/2016
	RMB'000	RMB'000
Finance lease receivables	-	1,256
Trade receivables ⁽¹⁾	106,551	135,280
Notes receivable ⁽²⁾	821,861	433,484
	<u>928,412</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 FY2017.

4. Inventories

	The Group	
	31/12/2017	31/12/2016
	RMB'000	RMB'000
Raw materials	630,818	368,290
Work-in-progress	128,524	133,192
Finished goods	47,457	45,200
Production supplies	5,238	5,836
	<u>812,037</u>	<u>552,518</u>

The increase in inventories was primarily due to higher raw materials prices in FY2017.

5. This refers to the property, plant and equipment of Aoyu Steel that are pending disposal.
6. Other assets

	The Group	
	31/12/2017 RMB'000	31/12/2016 RMB'000
Deposits for offices	556	65
Prepayments ^(a)	330,073	239,701
Entrusted loan to third parties	52,667	107,667
VAT and tax recoverable	21,726	52,318
Other receivables from Delong Thailand ^(b)	-	251,902
Commitment Sum and Bidding Deposit for the Proposed Acquisition of Anhui Shoukuang ^(c)	541,850	-
Others	31,278	20,413
	<u>978,150</u>	<u>672,066</u>
Analysed as:		
Current	972,150	672,066
Non-current	6,000	-
	<u>978,150</u>	<u>672,066</u>

Notes:

- (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.
- (c) The Commitment Sum and Bidding Deposit were fully refunded on 8 January 2018 and 16 January 2018, respectively. Please refer to the Company's announcements dated 8 and 16 January 2018 for details.

7. Available-for-sale financial assets

	The Group	
	31/12/2017 RMB'000	31/12/2016 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	39,972	60,136
Shan Nan De Lian Heng Tong Investment	38,500	38,500
Qingdao Kutesmart Co., Ltd ^(a)	10,000	60,000
CEG Ventures I, L.P	44,284	20,352
Shunwei Technology Equity Investment L.P	15,523	-
Other Private Equity investments	75,169	15,000
	<u>233,448</u>	<u>203,988</u>

Note:

- (a) This is after taking an impairment charge of RMB50.0 million in 4Q2017.

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

9. This refers to the Company's 45% shareholdings in P.T Dexin Steel Indonesia.
10. Trade and other payables

	The Group	
	31/12/2017 RMB'000	31/12/2016 RMB'000
Trade payables to third parties	581,225	351,214
Letters of credit	691,131	146,253
VAT and other taxes payable	95,153	75,678
Payable to contractors for construction-in-progress	1,779	128,913
Advances from customers ⁽¹⁾	800,368	439,208
Other accrual for operating expenses	4,243	14,697
Accrual for interest expense	-	19,616
Accrual for staff cost	46,689	109,203
Due to directors (non-trade)	2,697	2,138
Deferred Income	-	17,848
Deferred government grant	68,795	44,507
Compensation from PGLC ⁽²⁾	160,000	-
Deposit from customers	-	819
Other payables	111,035	92,008
	<u>2,563,115</u>	<u>1,442,102</u>

Notes:

⁽¹⁾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.

⁽²⁾Please refer to the Company's announcement dated 12 December 2017 for further details.

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 31/12/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
855,802	100,000	691,010	641,290

Amount repayable after one year

As at 31/12/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
200,452	97,000	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 December 2017, the Group's bank borrowings of approximately RMB1,747.9 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 RMB295.1 million (2016: RMB 410.0 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			
		4 th Quarter Ended		Year Ended	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016
		RMB '000	RMB '000	RMB '000	RMB '000
Cash flows from operating activities:					
Profit/(loss) after income tax		327,336	(401,863)	2,069,906	209,323
Adjustments for:					
Depreciation		69,218	134,356	321,919	459,735
Amortisation of intangible asset		-	1,440	1,440	5,760
Allowance for doubtful debts		-	2,903	-	2,903
Loss on disposal of property, plant and equipment		40,293	498	47,493	13,318
Prepaid lease written off		-	20,791	-	20,791
Impairment charges on property, plant and equipment		-	600,000	-	600,000
Fair value (gain)/loss on financial assets, fair value through profit or loss		(3,196)	208	(3,479)	825
Allowance for impairment for available-for-sale financial assets		50,000	45,000	50,000	45,000
Share of loss of an associate company		206	89	606	339
Loss on disposal of subsidiary		-	3,416	-	3,416
Allowance for inventories		-	37,867	-	37,867
Interest income		(46,561)	(25,912)	(120,398)	(72,801)
Dividend income		(13,137)	(113)	(13,137)	(113)
Interest expense		67,354	80,731	153,066	230,361
Income tax expense		223,174	57,824	486,650	99,398
Unrealised currency translation loss/(gain)		28,996	(21,116)	19,493	(41,746)
		416,347	937,982	943,653	1,405,053
Operating cash flow before working capital changes		743,683	536,119	3,013,559	1,614,376
Bank balances pledged		55,994	(16,012)	460,220	(133,902)
Receivables		(203,667)	200,219	(664,476)	166,995
Inventories		166,074	(64,663)	(259,519)	(123,489)
Payables		(226,401)	(106,943)	1,248,146	93,683
		(208,000)	12,601	784,371	3,287
Cash generated from operating activities		535,683	548,720	3,797,930	1,617,663
Income tax paid		(36,184)	(24,813)	(180,017)	(67,467)
Net cash generated from operating activities		499,499	523,907	3,617,913	1,550,196
Cash flows from investing activities:					
Purchases of property, plant and equipment		(250,793)	(26,175)	(620,098)	(145,447)
Proceeds on disposal of property, plant and equipment		102,829	3,021	102,829	3,021
Proceeds/(purchases) of investments held for trading		640,177	300,941	(253,505)	(479,199)
Purchases of available-for-sale financial assets		(44,458)	(28,285)	(102,692)	(83,351)
Proceeds/(purchases) of held-to maturity financial assets		194,538	(371,050)	334,538	(171,050)
Disposal of subsidiary		-	(25,475)	-	(25,475)
Interest received		46,561	25,912	120,398	72,801
Dividend income		13,137	113	13,137	113
Investment in joint venture		(446,400)	-	(446,400)	-
Net cash generated from/(used in) investing activities		255,591	(120,998)	(851,793)	(828,587)
Cash flows from financing activities:					
Proceeds from borrowings		284,424	698,541	1,731,952	2,901,089
Repayments of borrowings		(218,135)	(836,669)	(3,145,525)	(2,935,053)
Interest paid		(67,354)	(80,731)	(153,066)	(230,361)
Net cash used in financing activities		(1,065)	(218,859)	(1,566,639)	(264,325)
Net increase in cash and cash equivalents		754,025	184,050	1,199,481	457,284
Cash and cash equivalents at beginning of the period		1,412,388	758,098	966,932	484,864
Effect of currency translation on cash and cash equivalents		(30,542)	24,784	(30,542)	24,784
Cash and cash equivalents at end of the period		2,135,871	966,932	2,135,871	966,932

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	Property revaluation 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
Total comprehensive (loss)/income for the period	-	-	77,837	(5,050)	(2,100)	-	973,934	1,044,621
Balance as at 30 September 2017	406,644	261,613	77,837	(19,183)	13,921	141,072	3,454,492	4,336,396
Total comprehensive (loss)/income for the period	-	-	(77,837)	(4,353)	(2,744)	-	327,336	242,402
Balance as at 31 December 2017	406,644	261,613	-	(23,536)	11,177	141,072	3,781,828	4,578,798

<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
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
Total comprehensive income for the period	-	-	12,544	3,873	-	229,290	245,707	-	2,032	247,739
Balance as at 30 September 2016	406,644	261,613	(1,438)	9,187	141,072	2,108,692	2,925,770	-	56,463	2,982,233
Total comprehensive income for the period	-	-	-	-	-	(396,770)	(396,770)	-	(5,093)	(401,863)
Loss for the period										
Other comprehensive income			1,134	2,309	-	-	3,443	-	3,907	7,350
Effect of disposal of subsidiary	-	-	-	11,928	-	-	11,928		(55,277)	(43,349)
Balance as at 31 December 2016	406,644	261,613	(304)	23,424	141,072	1,711,922	2,544,371	-	-	2,544,371

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
Total comprehensive loss for the period	-	-	(3,515)	(3,515)
Balance as at 30 September 2017	2,112,480	249,218	(162,082)	2,199,616
Total comprehensive loss for the period	-	-	(5,748)	(5,748)
Balance as at 31 December 2017	2,112,480	249,218	(167,830)	2,193,868

<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
Total comprehensive loss for the period	-	-	(3,072)	(3,072)
Balance as at 30 September 2016	2,112,480	249,218	(148,728)	2,212,970
Total comprehensive loss for the period	-	-	(5,370)	(5,370)
Balance as at 31 December 2016	2,112,480	249,218	(154,098)	2,207,600

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 4th Quarter Ended	31/12/2017	31/12/2016
Number of ordinary shares as at 1 October	110,182,709	110,182,709
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 31 December	110,182,709	110,182,709

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 auditor.

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			
	4 th Quarter Ended		Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit/(loss) attributable to equity holders of the Company	327,336	(396,770)	2,069,906	213,030
Basic earnings/(losses) per share (in RMB)	2.97	(3.60)	18.79	1.93
Diluted earnings/(losses) per share (in RMB)	2.97	(3.60)	18.79	1.93

Explanatory Notes:

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

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net Asset Value per share (RMB)	41.56	23.09	19.91	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.**

(a) Financial Review for the fourth quarter and year ended 31 December 2017

4Q2017 vs 4Q2016

Revenue

Group revenue increased by RMB267.4 million or 9.9% from RMB2,711.1 million in 4Q2016 to RMB2,978.5 million in 4Q2017. The increase in revenue was principally attributed to continued increase in average selling prices of hot rolled coil ("HRC") driven by increased infrastructure and construction activities in the PRC, despite lower sales volume in 4Q2017.

The decrease in sales volume was mainly due to the cessation of Aoyu Steel's operations in August 2017 coupled with the shut down of Delong Steel's blast furnaces amid the maintenance exercise and the Environmental Policies. Please refer to the Company's announcement dated 5 December 2017 for further details.

In 4Q2017, the Group sold 822,841 tonnes of HRC and 60 tonnes of steel billets as compared to 865,455 tonnes of HRC and 30 tonnes of steel billets in 4Q2016. Overall sales quantity decreased by 42,584 tonnes or 4.9%.

Cost of sales

Total cost of sales decreased slightly by RMB10.3 million or 0.5%, from RMB2,242.7 million in 4Q2016 to RMB2,232.4 million in 4Q2017. The decrease was primarily due to lower sales volume as mentioned above, partially offset by higher raw material prices in 4Q2017.

Gross profit

Gross profit increased by RMB277.7 million or 59.3%, from RMB468.4 million in 4Q2016 to RMB746.1 million in 4Q2017.

Gross profit margin increased by 7.8 percentage points from 17.3% in 4Q2016 to 25.1% in 4Q2017. The increase was primarily due to the significant increase in average selling prices of products sold which outpaced the increase in raw materials prices in 4Q2017.

Other (losses)/gains-Net

Other losses decreased by RMB662.2 million, from RMB699.5 million in 4Q2016, to RMB37.3 million in 4Q2017, primarily due to the one-off impairment charge of RMB600.0 million provided on Aoyu Steel's production facilities in 4Q2016. Please refer to note 2- other (losses)/gains on page 3 of the results announcement for details.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB12.4 million, from RMB19.4 million in 4Q2016, to RMB7.0 million in 4Q2017. The decrease was mainly to lower transportation costs associated with the delivery of Aoyu Steel's HRC products to customers in the PRC, amid the cessation of Aoyu Steel's operations in August 2017.

Administrative expenses

Administrative expenses increased by RMB99.3 million, from RMB40.6 million in 4Q2016 to RMB139.9 million in 4Q2017, primarily due to RMB63.3 million research and development expenses incurred for product development coupled with approximately RMB50.0 million payment of applicable exit fees following the cessation of Aoyu Steel's operations in August 2017.

The increase was partially offset by the deconsolidation of administrative expenses of Delong Thailand.

Finance expenses

Finance expenses decreased by RMB13.3 million from RMB80.7 million in 4Q2016 to RMB67.4 million in 4Q2017, primarily due to the significant decrease in bank borrowings and notes payables, which in turn reduced the interest expenses in 4Q2017.

Net profit

As a result of higher operating profit, the Group reported a net profit of RMB327.3 million in 4Q2017, compared to the net loss of RMB401.9 million in the corresponding period.

The net profit margin was 11.0% in 4Q2017.

FY2017 vs FY2016

Revenue

Group revenue increased by RMB2,956.3 million or 29.9%, from RMB9,875.0 million in FY2016, to RMB12,831.3 million in FY2017. 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.

In FY2017, the Group sold 3,876,549 tonnes of HRC and 486 tonnes of steel billets as compared to 3,919,163 tonnes of HRC and 456 tonnes of steel billets in FY2016. Overall sales quantity decreased by 42,584 tonnes or 1.1%.

As mentioned earlier, the decrease in sales volume was mainly due to the cessation of Aoyu Steel's operations in August 2017 coupled with the shut down of Delong Steel's blast furnaces amid the maintenance exercise and the Environmental Policies.

Cost of sales

Total cost of sales increased by RMB1,692.1 million or 20.1%, from RMB8,410.7 million in FY2016 to RMB10,102.8 million in FY2017. The increase was primarily due to higher raw materials prices for production amid rising iron ore demand from mills in FY2017 as compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB1,264.3 million or 86.3%, from RMB1,464.2 million in FY2016, to RMB2,728.5 million in FY2017.

Gross profit margin increased by 6.5 percentage points, from 14.8% in FY2016 to 21.3% in FY2017. The increase was primarily due to the increase in average selling prices of products sold which outpaced the increase in raw materials prices in FY2017 coupled with increased production efficiency amid continued improvement to the production facilities.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB11.4 million, from RMB76.6 million in FY2016, to RMB88.0 million in FY2017. The increase in distribution and marketing expenses was primarily due to higher transportation costs associated with the delivery of HRC products to customers in 1H2017 as compared to the previous corresponding period.

Administrative expenses

Administrative expenses increased by RMB113.9 million, from RMB260.4 million in FY2016, to RMB374.3 million in FY2017, primarily due to RMB63.3 million research and development expenses incurred for product development, payment of applicable exit fees of approximately RMB50.0 million following the cessation of Aoyu Steel's operations in August 2017 as well as higher legal and professional fees incurred for the Company's projects.

Finance expenses

Finance expenses decreased by RMB77.3 million, from RMB230.4 million in FY2016, to RMB153.1 million in FY2017, mainly due to lower interest expenses incurred on notes payables and notes redemption in FY2017 as compared to previous corresponding period.

Net profit

As a result of the foregoing, the Group reported a net profit after tax of RMB2,069.9 million in FY2017, compared to a net profit of RMB209.3 million in FY2016. The net profit margin was 16.1% and 2.1% in FY2017 and FY2016, respectively.

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

Current assets increased by RMB1,610.3 million, from RMB5,430.3 million as at 31 December 2016 to RMB7,040.6 million as at 31 December 2017, primarily due to the increase in cash and cash equivalents generated from operating activities and higher notes receivable recorded which was in line with higher revenue in FY2017.

Current liabilities

Current liabilities decreased by RMB76.1 million, from RMB5,103.0 million as at 31 December 2016 to RMB5,026.9 million as at 31 December 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 as well as an increase in advances from customers.

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

Working capital

The working capital position improved by RMB1,686.5 million, from RMB327.3 million as at 31 December 2016, to RMB2,013.8 million as at 31 December 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 RMB48.2 million, from RMB2,229.3 million as at 31 December 2016 to RMB2,181.1 million as at 31 December 2017, 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 RMB92.1 million, from RMB228.2 million as at 31 December 2016 to RMB320.3 million as at 31 December 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

4Q2017 vs 4Q2016

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by RMB207.6 million, from RMB536.1 million in 4Q2016 to RMB743.7 million in 4Q2017, primarily due to the increase in operating profit. Net cash from operating activities decreased by RMB24.4 million from RMB523.9 million in 4Q2016 to RMB499.5 million in 4Q2017, attributable mainly to the increase in notes receivables which was in line with higher revenue in 4Q2017.

Net Cash Generated From Investing Activities

Net cash generated from investing activities was RMB255.6 million in 4Q2017. This comprised principally the proceeds from the disposal of held for trading investments and held-to-maturity financial assets during the period under review.

The increase was partially offset by RMB446.4 million capital contribution to the Group's 45%-owned joint-venture steel project in Indonesia, PT Dexin Steel Indonesia, and the progress payment for on-going technical enhancements to upgrade production facilities in the PRC.

Net Cash Used In from Financing Activities

Net cash used in financing activities was RMB1.1 million in 4Q2017. This was mainly attributable to the drawdown of bank borrowing of RMB284.4 million for working capital purposes, loan principal and interest repayments of RMB285.5 million.

FY2017 vs FY2016

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by RMB1,399.2 million, from RMB1,614.4 million in FY2016 to RMB3,013.6 million in FY2017, primarily due to the increase in operating profit. Net cash from operating activities increased by RMB2,067.7 million from RMB1,550.2 million in FY2016, to RMB3,617.9 million in FY2017, attributable mainly to the increase in trade and other payables including letters of credit and advances from customers during the period under review and a decrease in bank balances pledged as security to banks for the issuance of notes payable.

The increase was partially offset by higher inventories and notes receivables during the period under review.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB851.8 million in FY2017. This comprised principally the progress payments for the technical enhancements to upgrade production facilities in the PRC, RMB446.4 million capital contribution to the Group's 45%-owned joint-venture in Indonesia, PT Dexin Steel Indonesia as well as an increase in the Group's investment in 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 Used in Financing Activities

Net cash used in financing activities was RMB1,566.6 million in FY2017. This was mainly attributable to the drawdown of bank borrowings of RMB1,732.0 million, loan principal and interest repayments of RMB3,298.6 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 20 February 2018 that the Company would report a significant increase in net profit for the three months period ended 31 December 2017 (“4Q2017”) and for the twelve months ended 31 December 2017 (“FY2017”).

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

According to China Iron and Steel Association (CISA), domestic demand for steel is expected to remain stable in 2018 amid the steadily-growing national economy, with a focus on quality over quantity¹. Even as market watchers forecast China’s GDP growth to be in the mid-6% range in 2018, the operating outlook for the PRC steel industry is expected to remain challenging amid ongoing efforts by the PRC authorities to control supply and to protect the environment.

Environmental issues remain high on the agenda of the PRC Government, with continued efforts and resources directed towards the tightening of its environmental protection rules to control pollution sources. Initiatives include requiring steel producers to reduce output by at least half during the peak pollution season over the winter months and/or smoggy days, among other. Accordingly, pursuant to the Xingtai City 2017/2018 policies on the comprehensive management of air pollution in autumn and winter (邢台 2017 年-2018 年秋冬季节大气污染综合治理) (the “Environmental Policies”), production was halted at two of the Group’s blast furnaces, with operations expected to resume in mid-March 2018. For details, please refer to the Group’s announcement dated 5 December 2017.

Nonetheless, according to the latest public consultation paper, the PRC government is expected to prolong restrictions on steel mills’ operations upon expiry of the Environmental Policies in mid-March 2018, as part of the country’s continuing efforts to combat air pollution. Based on the latest discussions, steel mills will be ordered to cut output by up to 15% (During smoggy days, subject to the proximity of the mills to the cities, further output cuts may also be ordered). This policy may adversely affect the Group’s performance.

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 strengthens the production efficiency of the Group’s facility, thereby reducing operating costs.

The development of the Group’s 45%-owned joint-venture (JV) steel project in Indonesia is also well underway, and is scheduled to be completed and operational by late 2018.

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

¹ <https://www.mysteel.net/article/full-4002586.html>

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 year ended 31 December 2017.

PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. 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.

The Group is primarily operating in one single business segment i.e. the manufacture and sale of steel hot-rolled coils. The Group's operations were substantially carried out in the People's Republic of China ("PRC"). No other individual country contributed 10% or more of the consolidated sales and assets, and no single customer contributed 10% or more of the consolidated revenue.

Other operations of the Group, including investment holding and finance leasing, do not constitute a separate reportable segment and are included in the "Other" column.

31 December 2017	<u>Manufacturing</u> RMB'000	<u>Other</u> RMB'000	<u>Total</u> RMB'000
REVENUE			
Sales	15,264,947	-	15,264,947
Inter-segment sales	(2,433,668)	-	(2,433,668)
Sales to external parties	12,831,279	-	12,831,279
Adjusted EBITDA*	3,156,994	(29,393)	3,127,601
Depreciation and amortisation	(323,050)	(309)	(323,359)
Loss on disposal of property, plant and equipment	(47,493)	-	(47,493)
Fair value gain-financial assets at fair value through profit or loss	-	3,479	3,479
Allowance for impairment charge on available-for-sale financial assets	(50,000)	-	(50,000)

Unallocated:			
Finance expense			(153,066)
Share of loss of an associate company			(606)
Profit before income tax			<u>2,556,556</u>

Total assets	<u>9,682,695</u>	<u>243,297</u>	<u>9,925,992</u>
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Total assets include:			
Additions to property, plant and equipment	491,610	1,354	492,964

Total liabilities	<u>5,331,890</u>	<u>15,304</u>	<u>5,347,194</u>
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31 December 2016	<u>Manufacturing</u>	<u>Other</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
REVENUE			
Sales	11,917,763	-	11,917,763
Inter-segment sales	(2,042,782)	-	(2,042,782)
Sales to external parties	<u>9,874,981</u>	<u>-</u>	<u>9,874,981</u>
Adjusted EBITDA*	1,706,552	20,834	1,727,386
Depreciation and amortisation	(463,707)	(1,788)	(465,495)
Impairment charges on property, plant and equipment	(600,000)	-	(600,000)
Impairment for inventory	(37,867)	-	(37,867)
Loss on disposal of subsidiary	(3,416)	-	(3,416)
Loss on disposal of property, plant and equipment	(13,318)	-	(13,318)
Fair value gain-financial assets at fair value through profit or loss	825	-	825
Allowance for impairment charge on available-for-sale financial assets	(45,000)	-	(45,000)
Refundable deposit written off	(20,791)	-	(20,791)
Allowance for doubtful debts	(2,903)	-	(2,903)
Unallocated:			
Finance expense			(230,361)
Share of loss of an associate company			(339)
Profit before income tax			<u>308,721</u>

Total assets	<u>7,060,379</u>	<u>815,139</u>	<u>7,875,518</u>
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Total assets include:			
Additions to property, plant and equipment	232,464	160	232,624

Total liabilities	<u>5,315,501</u>	<u>15,646</u>	<u>5,331,147</u>
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*EBITDA refers to earnings before interest, tax, depreciation and amortisation.

By Geographical Segmentation - FY2017 and FY2016

The Group's operations are mainly carried out in the PRC. No other country has contributed more than 10% of the Group's consolidated sales and assets. Sales are based on the country in which the customer is located.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to Section 8.

15. A breakdown of Sales

	FY2017	FY2016	Increase
	RMB'000	RMB'000	%
Sales reported for first half year	6,185,748	4,629,695	33.6
Profit/(loss) after exceptional items, non-controlling interest and tax reported for the first half year	768,636	380,590	102.0
Sales reported for second half year	6,645,531	5,245,285	26.7
Profit/(loss) after exceptional items, non-controlling interest and tax reported for the second half year	1,301,270	(167,560)	n.m

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year.**

N.A

- 17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholders of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must an appropriate negative statement.**

There are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director, chief executive officer or substantial shareholder of the Company.

- 18. Interested person transactions**

As at 31 December 2016, the Group had provided guarantees amounted to RMB50.0 million (the “Corporate Guarantee”) to bank for bank borrowings of Hebei Delong Modern Special Tube Manufacturing Co., Ltd (“Hebei Delong”), a company which is owned by Mr Ding Ligu and his spouse, Ms Zhao Jing.

Subsequent to the financial year ended 31 December 2016, following the repayment of bank borrowing by Hebei Delong, the Group had terminated the Corporate Guarantee.

- 19. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Ding Ligu
Executive Chairman