



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

Statement Pursuant to SGX Listing Rule 705(5) 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 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors

Mr. Ding Liguo
Chairman

Mr. Wu Yujie
Executive Director

Singapore
3 May 2018

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/ (Decrease) %
Note		31/03/2018 RMB'000	31/03/2017 RMB'000	
	Sales	2,949,993	2,986,704	(1.2)
	Cost of sales	(2,509,412)	(2,458,307)	2.1
	Gross Profit	440,581	528,397	(16.6)
	Other income	31,231	25,566	22.2
	Other (losses) gains-net	(6,244)	10,209	(161.2)
	Expenses			
	-Distribution and marketing	(6,875)	(27,678)	(75.2)
	-Administrative	(99,111)	(69,416)	42.8
	-Finance	(29,589)	(30,894)	(4.2)
	Share of loss of an associate ¹	(128)	(119)	7.6
	Share of loss of a joint venture ²	(269)	-	n.m
	Profit before tax	329,596	436,065	(24.4)
	Income tax expense	(48,819)	(48,276)	1.1
	Net profit	280,777	387,789	(27.6)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit	280,777	387,789	(27.6)
Other comprehensive loss:			
Available-for-sale financial assets-			
Fair value loss	(5,577)	(13,293)	(58.0)
Currency translation differences	(3,463)	(5,218)	(33.6)
Other comprehensive loss for the period, net of tax	(9,040)	(18,511)	(51.2)
Total comprehensive income	271,737	369,278	(26.4)

¹ This refers to Xingtai Xilan Zhongde Natural Gas Sales Co., Ltd

² This refers to PT Dexin Steel Indonesia

Notes:-

1	Other income	The Group	
		1 st Quarter Ended	
		31/03/2018	31/03/2017
		RMB'000	RMB'000
	Government grants ^(a)	-	620
	Finance lease income	265	58
	Interest income ^(b)	30,966	24,888
		<u>31,231</u>	<u>25,566</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 (losses) gains-net	The Group	
		1 st Quarter Ended	
		31/03/2018	31/03/2017
		RMB'000	RMB'000
	Currency translation (losses) gains-net ¹	(12,281)	79
	Fair value (loss) gain on held for trading investment	(303)	171
	(Loss) gain on disposal of property, plant and equipment	(849)	919
	Others ²	7,189	9,040
		<u>(6,244)</u>	<u>10,209</u>

¹The currency translation losses was mainly due to the revaluation of bank balances and intercompany balances denominated in USD and SGD which weakened against RMB for the financial period ended 31 March 2018 ("1Q2018").

²Others comprised of sale of gas, oxygen, electricity.

3. Profit before tax includes the following items:-

	The Group	
	1 st Quarter Ended	
	31/03/2018	31/03/2017
	RMB'000	RMB'000
Depreciation and amortization ⁽¹⁾	53,034	132,246
Staff costs ⁽²⁾	99,221	100,829
Rental on operating lease	86	88

Note:

- ⁽¹⁾ The decrease in depreciation and amortization in 1Q2018 was mainly due to the cessation of Aoyu Steel's operations since August 2017 coupled with certain assets being fully depreciated.

- (2) The decrease in staff costs was mainly due to the cessation of Aoyu Steel's operations in August 2017, partially offset by an increase in provision for staff bonuses.

4. Income Tax Expense

	The Group	
	1 st Quarter Ended	
	31/03/2018	31/03/2017
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	48,778	48,489
-Singapore	41	97
Deferred income tax	-	(360)
Adjustments in respect of the preceding financial years		
Current income tax	-	50
	48,819	48,276

Note:-

The effective tax rate for 1Q2018 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% from 9 September 2014 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 31/03/2018	As at 31/12/2017	As at 31/03/2018	As at 31/12/2017
Current assets					
Cash and cash equivalents		1,544,711	2,135,871	721	2,127
Bank balances pledged		1,615,237	1,111,559	-	-
Held for trading investments	1	1,216,806	982,927	-	-
Held-to-maturity financial assets	2	-	30,000	-	-
Trade and other receivables	3	1,057,680	928,412	181,612	188,603
Inventories	4	878,170	812,037	-	-
Non-current assets held for sale	5	67,672	67,672	-	-
Other assets	6	652,021	972,150	216	225
Total current assets		7,032,297	7,040,628	182,549	190,955
Non-current assets					
Other assets	6	6,000	6,000	-	-
Held-to-maturity financial assets	2	6,293	6,512	-	-
Available-for-sale financial assets	7	244,419	233,448	-	-
Investments in subsidiaries		-	-	2,010,492	2,010,492
Investment in an associate	8	3,267	3,395	-	-
Investment in a joint venture	9	446,133	446,400	-	-
Property, plant and equipment		2,241,476	2,181,129	26	33
Deferred tax assets		8,480	8,480	-	-
Total non-current assets		2,956,068	2,885,364	2,010,518	2,010,525
Total assets		9,988,365	9,925,992	2,193,067	2,201,480
Current liabilities					
Trade and other payables	10	2,758,039	2,563,115	4,173	7,580
Notes payables		688,146	1,159,092	-	-
Borrowings		1,008,010	955,802	10	10
Income tax liabilities		293,185	348,844	-	-
Total current liabilities		4,747,380	5,026,853	4,183	7,590
Non-current liabilities					
Borrowings		390,450	297,452	20	22
Deferred income tax liabilities		-	22,889	-	-
Total non-current liabilities		390,450	320,341	20	22
Total liabilities		5,137,830	5,347,194	4,203	7,612
Net Assets		4,850,535	4,578,798	2,188,864	2,193,868
Capital reserves					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		4,443,891	4,172,154	76,384	81,388
Total equity		4,850,535	4,578,798	2,188,864	2,193,868

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	
	31/03/2018	31/12/2017
	RMB'000	RMB'000
Huoao International Trust Co., Ltd	-	30,000
Mitralign, Inc	6,293	6,512
	<u>6,293</u>	<u>36,512</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
Non-current	6,293	6,512
	<u>6,293</u>	<u>36,512</u>

3. Trade and other receivables - current

	The Group	
	31/03/2018	31/12/2017
	RMB'000	RMB'000
Trade receivables ⁽¹⁾	172,568	106,551
Notes receivable	885,112	821,861
	<u>1,057,680</u>	<u>928,412</u>

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

4. Inventories

	The Group	
	31/03/2018	31/12/2017
	RMB'000	RMB'000
Raw materials	649,228	630,818
Work-in-progress	143,345	128,524
Finished goods	78,686	47,457
Production supplies	6,911	5,238
	<u>878,170</u>	<u>812,037</u>

The increase in inventories was primarily due to higher raw materials prices (i.e., coke, coal and steel scrap) in 1Q2018.

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

6. Other assets

	The Group	
	31/03/2018 RMB'000	31/12/2017 RMB'000
Deposits for offices	539	556
Prepayments ^(a)	558,548	330,073
Entrusted loan to third parties	52,667	52,667
VAT and tax recoverable	9,502	21,726
Commitment Sum and Bidding Deposit for the Proposed Acquisition of Anhui Shoukuang ^(b)	-	541,850
Others	36,765	31,278
	<u>658,021</u>	<u>978,150</u>
Analysed as:		
Current	652,021	972,150
Non-current	6,000	6,000
	<u>658,021</u>	<u>978,150</u>

Notes:

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

(b)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	
	31/03/2018 RMB'000	31/12/2017 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	37,879	39,972
Shan Nan De Lian Heng Tong Investment	38,500	38,500
Qingdao Kutesmart Co., Ltd	10,000	10,000
CEG Ventures I, L.P	42,790	44,284
Shunwei Technology Equity Investment L.P	23,939	15,523
Tai You Fund I, LP	3,146	3,256
LDV Partners Fund I, LP	6,960	7,203
Ocean Imagination LP	22,035	14,660
Alpha Global Investment LP	25,170	26,050
Shanghai MicuRx LP	15,000	15,000
Xin Yi Tai Fund Management LP	6,000	6,000
Tibet Boren Yutai Investment Centre LP	3,000	3,000
	<u>244,419</u>	<u>233,448</u>

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	
	31/03/2018 RMB'000	31/12/2017 RMB'000
Trade payables to third parties	800,325	581,225
Letters of credit	691,114	691,131
VAT and other taxes payable	64,184	95,153
Payable to contractors for construction-in-progress	107,967	1,779
Advances from customers ⁽¹⁾	733,242	800,368
Other accrual for operating expenses	1,408	4,243
Accrual for staff cost	37,698	46,689
Due to directors (non-trade)	3,109	2,697
Deferred government grant	67,667	68,795
Compensation from PGLC ⁽²⁾	160,000	160,000
Deposit from customers	2,288	-
Other payables	89,037	111,035
	<u>2,758,039</u>	<u>2,563,115</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 31/03/2018	As at 31/12/2017
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
658,011	349,999	855,802	100,000

Amount repayable after one year

As at 31/03/2018	As at 31/12/2017
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
385,484	4,966	200,452	97,000

Details of any collateral

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

As at 31 March 2018, the Group's bank borrowings of approximately RMB2,281.6 million (2017: RMB1,747.9 million) were guaranteed by third parties. The Group has also provided guarantees to banks for borrowings of third parties amounted to approximately RMB180.0 million (2017: RMB295.1 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	
	31/03/2018 RMB '000	31/03/2017 RMB'000
Cash flows from operating activities:		
Profit after income tax	280,777	387,789
Adjustments for:		
Income tax expense	48,819	48,276
Depreciation	53,034	130,806
Amortisation of intangible assets	-	1,440
Loss (gain) on disposal of property, plant and equipment	849	(919)
Fair value loss (gain) on held for trading investments	303	(171)
Share of loss of an associate	128	119
Share of loss of a joint venture	269	-
Interest income	(30,966)	(24,888)
Interest expense	29,589	30,894
Unrealised currency translation gain	(3,437)	(1,331)
	98,588	184,226
Operating cash flow before working capital changes	379,365	572,015
Bank balances pledged	(503,678)	584,515
Receivables	190,860	(66,208)
Inventories	(66,133)	(185,609)
Payables	194,925	160,503
	(184,026)	493,201
Cash generated from operating activities	195,339	1,065,216
Income tax paid	(127,367)	(27,157)
Net cash generated from operating activities	67,972	1,038,059
Cash flows from investing activities:		
Payments for property, plant and equipment (“PPE”)	(114,258)	(39,329)
Purchase of available-for-sale financial assets	(16,548)	-
Purchase of held for trading investment	(234,182)	-
Proceeds from disposal of held-to-maturity investments	30,219	90,000
Proceeds from disposal of held for trading investment	-	74,188
Interest received	30,966	24,888
Net cash (used in) generated from investing activities	(303,803)	149,747
Cash flows from financing activities:		
Proceeds from borrowings	455,000	464,169
Repayment of borrowings (including notes payables)	(780,740)	(1,095,219)
Interest paid	(29,589)	(30,894)
Net cash used in financing activities	(355,329)	(661,944)
Net (decrease) increase in cash and cash equivalents	(591,160)	525,862
Cash and cash equivalents at beginning of the period	2,135,871	966,932
Cash and cash equivalents at end of the period	1,544,711	1,492,794

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 2018	406,644	261,613	(23,536)	11,177	141,072	3,781,828	4,578,798
Effect of adoption Singapore Financial Reporting Standards (international) ("SFRS(1)") 9	-	-	(95,000)	-	-	95,000	-
Total comprehensive (loss) income for the period	-	-	(5,577)	(3,463)	-	280,777	271,737
Balance as at 31 March 2018	406,644	261,613	(124,113)	7,714	141,072	4,157,605	4,850,535

<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

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 2018	2,112,480	249,218	(167,830)	2,193,868
Total comprehensive loss for the period	-	-	(5,004)	(5,004)
Balance as at 31 March 2018	<u>2,112,480</u>	<u>249,218</u>	<u>(172,834)</u>	<u>2,188,864</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 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	<u>2,112,480</u>	<u>249,218</u>	<u>(154,538)</u>	<u>2,207,160</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	31/03/2018	31/03/2017
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 2018.

- 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 2017, except that the Group has adopted Singapore Financial Reporting Standards (International) (“SFRS(I)”) and all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018.

For SFRS(I) 9, the Group elected the option at initial recognition, to measure equity investments that is not held-for-trading at fair value through other comprehensive income (“FVTOCI”), which only dividend income recognized in profit or loss. The effect on adoption of SFRS(I) 9 has resulted in a decrease of RMB95 million in fair value reserve and a corresponding increase in retained earnings of the Group as at 1 January 2018.

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 except as those stated in paragraph 4.

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	
	31/03/2018	31/03/2017
	RMB'000	RMB'000
Net profit for the period	280,777	387,789
Basic earnings per share (in RMB)	2.55	3.52
Diluted earnings per share (in RMB)	2.55	3.52

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	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Net Asset Value per share (RMB)	44.02	41.56	19.87	19.91

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**

1Q2018 vs 1Q2017

Revenue

Group revenue decreased by RMB36.7 million or 1.2% from RMB2,986.7 million in 1Q2017 to RMB2,950.0 million in 1Q2018. The decrease in revenue was principally attributed to a significant decrease in sales volume during the period under review, despite a significant increase in average selling prices of HRC sold.

The Group recorded lower production volume in 1Q2018 mainly due to the cessation of operations at the Group's subsidiary, Laiyuan County Aoyu Steel Co., Ltd since August 2017 coupled with the shut down of two out of Delong Steel's three blast furnaces due to PRC's Government's environmental policies. Please refer to the Company's announcement dated 5 December 2017 for further details.

Delong Steel has since fully resumed its operations in early April 2018.

In 1Q2018, the Group sold 817,663 tonnes of HRC, compared to 909,673 tonnes of HRC and 32 tonnes of steel billets in 1Q2017. Overall sales quantity decreased by 92,042 tonnes or 10.1%.

Cost of sales

Total cost of sales increased by RMB51.1 million or 2.1%, from RMB2,458.3 million in 1Q2017 to RMB2,509.4 million in 1Q2018. The increase was primarily due to higher raw material prices (i.e., coke, coal and steel scrap) for production, despite lower sales volume in 1Q2018 as compared to the corresponding period. The increase was also due to higher repair and maintenance expenses incurred on the Group's production facilities as well as higher wages in 1Q2018.

Gross profit

Gross profit decreased by RMB87.8 million from RMB528.4 million in 1Q2017 to RMB440.6 million in 1Q2018.

Gross profit margin decreased by 2.8 percentage points from 17.7% in 1Q2017 to 14.9% in 1Q2018. The decrease was primarily due to the increase in production cost per tonne as mentioned above, which significantly outpaced the increase in average selling prices of HRC sold in 1Q2018.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB20.8 million, from RMB27.7 million in 1Q2017, to RMB6.9 million in 1Q2018. This was mainly due to a decrease in transportation costs associated with the delivery of Aoyu Steel's HRC products to customers in the PRC following the cessation of operations at Aoyu Steel since August 2017.

Administrative expenses

Administrative expenses increased by RMB29.7 million, from RMB69.4 million in 1Q2017 to RMB99.1 million in 1Q2018, primarily due to RMB20.9 million research and development expenses incurred on product development, staff welfare contribution of RMB10.0 million as well as RMB5.3 million sewage and environmental impact assessment fee incurred in 1Q2018 to comply with the increasingly stringent environmental regulations. The increase was partially offset by the cessation of operations at Aoyu Steel.

Finance expenses

Finance expenses decreased by RMB1.3 million from RMB30.9 million in 1Q2017 to RMB29.6 million, primarily due to a decrease in bank borrowings drawdown for working capital purposes following the cessation of operations at Aoyu Steel.

Net profit

As a result of the foregoing, the Group reported a net profit of RMB280.8 million in 1Q2018, compared to RMB387.8 million in 1Q2017. The net profit margin was 9.5% in 1Q2018, compared to 13.0% in 1Q2017.

(b) Review of balance sheet of the Group as at 31 March 2018**Current assets**

Current assets remain constant at RMB7.0 billion as at 31 December 2017 and 31 March 2018, respectively. The decrease in cash and cash equivalents was mainly due to the Company deploying part of its cash and cash equivalent towards purchasing held for trading investments. The increase in bank balances pledged was due to higher utilization of the credit facilities within the Group.

Current liabilities

Current liabilities decreased by RMB279.5 million, from RMB5,026.9 million as at 31 December 2017 to RMB4,747.4 million as at 31 March 2018, primarily due to a reduction in notes payables during the period under review. The Company has increasingly utilized its letters of credit facilities to finance its purchase of raw materials.

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 RMB271.1 million, from RMB2,013.8 million as at 31 December 2017 to RMB2,284.9 million as at 31 March 2018.

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 increased by RMB60.4 million, from RMB2,181.1 million as at 31 December 2017 to RMB2,241.5 million as at 31 March 2018, primarily due to the capital expenditure incurred for on-going technological and environmental enhancement programmes to the production facilities in the PRC.

The increase was partially offset by depreciation charges for the period under review.

Non-Current liabilities

Non-current liabilities increased by RMB70.2 million, from RMB320.3 million as at 31 December 2017 to RMB390.5 million as at 31 March 2018, 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
1Q2018 vs 1Q2017**

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by RMB192.6 million, from RMB572.0 million in 1Q2017 to RMB379.4 million in 1Q2018, primarily due to the decrease in operating profit. Cash from operating activities decreased by RMB970.1 million from RMB1,038.1 million in 1Q2017 to RMB68.0 million in 1Q2018, attributable mainly to an increase in bank balances pledged as a result of higher utilization of the credit facilities within the Group during the period under review.

Net Cash Used In Investing Activities

Net cash used in investing activities was RMB303.8 million in 1Q2018. This was mainly attributable to the increase in held-for-trading investments coupled with progress 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 RMB355.3 million in 1Q2018. This was mainly attributable to the drawdown of bank borrowings of RMB455.0 million for working capital, loan principal and interest repayments of RMB810.3 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 is of the view that its financial results for 1Q2018 are in line with the commentary in the results announcement for the financial year ended 31 December 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

The World Steel Association reported that global crude steel output rose to 148 million tonnes in March 2018, with output from China rising 4.5% year-on-year to 74.0 million tonnes following the lifting of winter production restrictions³. Notwithstanding the increased production output, sentiments towards the PRC steel industry remains generally weak, due to rising inventories and uncertainty over the level of domestic construction activity as a result of the PRC government implementing a series of measures to cool the property market. The ongoing efforts by the PRC authorities to control supply and to protect the environment will also continue to impact the wider steel sector.

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 remains on track for completion.

It remains Delong's strategy to explore and evaluate earnings-accretive acquisitions and/or investments for the long-term benefit of shareholders. Accordingly, to further diversify incomes streams, the Group may opportunistically 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 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.

³ <https://af.reuters.com/article/africaTech/idAFL8N1S23LJ>

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 2018.

13. Interested person transactions

There was no interested party transaction for the financial period ended 31 March 2018.

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