



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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
12 November 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.**

	Note	The Group					
		3 rd Quarter Ended		Increase	9 Months Ended		Increase
		30/09/2018	30/09/2017	(Decrease)	30/09/2018	30/09/2017	(Decrease)
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
Sales		3,948,190	3,667,029	7.7	10,659,133	9,852,777	8.2
Cost of sales		(3,174,410)	(2,788,099)	13.9	(8,780,000)	(7,870,396)	11.6
Gross profit		773,780	878,930	(12.0)	1,879,133	1,982,381	(5.2)
Other Income	1	53,136	33,002	61.0	116,492	85,146	36.8
Other gains (losses)-net	2	22,626	349,025	(93.5)	(2,216)	340,002	(100.7)
Expenses							
-Distribution and marketing		(6,159)	(20,665)	(70.2)	(18,893)	(81,009)	(76.7)
-Administrative		(189,479)	(95,742)	97.9	(373,327)	(234,362)	59.3
-Finance		(35,498)	(29,405)	20.7	(91,509)	(85,712)	6.8
Share of loss of an associate ¹		(130)	(121)	7.4	(390)	(400)	(2.5)
Share of loss of a joint venture ²		(1,392)	-	100.0	(2,897)	-	100.0
Profit before tax	3	616,884	1,115,024	(44.7)	1,506,393	2,006,046	(24.9)
Income tax expense	4	(95,098)	(141,090)	(32.6)	(219,510)	(263,476)	(16.7)
Net profit		521,786	973,934	(46.4)	1,286,883	1,742,570	(26.2)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit	521,786	973,934	(46.4)	1,286,883	1,742,570	(26.2)
Other comprehensive income:						
Available-for-sale financial assets- fair value gain (loss)	6,355	(5,050)	(225.8)	(83,672)	(18,879)	343.2
Revaluation of property	-	77,837	(100.0)	-	77,837	(100.0)
Currency translation differences	28,987	(2,100)	n.m	44,279	(9,503)	n.m
Other comprehensive income (loss) for the period, net of tax	35,342	70,687	(50.0)	(39,393)	49,455	(179.7)
Total comprehensive income	557,128	1,044,621	(46.7)	1,247,490	1,792,025	(30.4)

nm-not meaningful

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

² This refers to PT Dixin Steel Indonesia

Notes:-

1. Other Income

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant ^(a)	11,430	10,051	11,680	10,951
Finance lease income	333	101	2,005	358
Interest income ^(b)	41,373	22,850	102,807	73,837
	<u>53,136</u>	<u>33,002</u>	<u>116,492</u>	<u>85,146</u>

Notes:

- (a) Government grant received in recognition of the Group's technological improvement and environmental enhancement programmes in the PRC.
- (b) Interest earned on bank deposits, held to maturity financial assets, available-for-sale financial assets and entrusted loans to customers.

2. Other gains (losses) -net

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain (loss) on held for trading investment	81	(515)	141	283
Currency translation gain (loss)-net ^(a)	17,712	(15,305)	16,905	(21,988)
Sale of Production Capacity Transfer ^(b)	-	377,358	-	377,358
Gain (loss) on disposal of property, plant and equipment ("PPE")	2,724	1,629	1,888	(7,200)
Impairment charges on PPE ^(c)	-	-	(34,616)	-
Other ^(d)	2,109	(14,142)	13,466	(8,451)
	<u>22,626</u>	<u>349,025</u>	<u>(2,216)</u>	<u>340,002</u>

Notes:

- (a) The currency translation gain was mainly due to the revaluation of bank balances and intercompany balances denominated in USD and SGD, which strengthened against RMB for the third quarter ended 30 September 2018 ("3Q2018") and for the first nine months of 2018 ("9M2018").
- (b) This relates to sale of production capacity licence of Laiyuan County Aoyu Steel Co., Ltd ("Aoyu Steel"). Aoyu Steel has ceased its operations in August 2017.
- (c) This refers to obsolete plant and equipment written off.
- (d) Others comprised the sale of gas, oxygen, electricity, etc

3. Profit before taxation includes the following items:-

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization ^(a)	51,649	90,861	158,455	254,141
Staff costs ^(b)	84,432	97,798	271,890	279,747
Operating lease rental	89	132	260	264

Notes:

^(a) The decrease in depreciation and amortization in 3Q2018 and 9M2018 was mainly due to the cessation of Aoyu Steel's operations since August 2017.

^(b) The decrease in staff costs was mainly due to the cessation of Aoyu Steel's operations in August 2017.

4. Income Tax Expense

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense				
-Foreign	95,024	141,050	219,290	263,079
-Singapore	74	40	220	708
Deferred income tax	-	-	-	(360)
Under provision in preceding financial years				
-Current income tax	-	-	-	49
	<u>95,098</u>	<u>141,090</u>	<u>219,510</u>	<u>263,476</u>

The effective tax rate for 3Q2018 and 9M2018 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 30/09/2018	As at 31/12/2017	As at 30/09/2018	As at 31/12/2017
Current assets					
Cash and cash equivalents		2,699,679	2,135,871	1,298	2,127
Bank balances pledged		2,289,233	1,111,559	-	-
Held for Trading Investments	1	270,300	982,927	-	-
Held-to-maturity financial assets	2	-	30,000	-	-
Trade and other receivables	3	839,337	928,412	1,058,213	188,603
Inventories	4	1,058,899	812,037	-	-
Non-current assets held for sales	5	67,672	67,672	-	-
Other assets	6	1,372,365	972,150	205	225
Total current assets		8,597,485	7,040,628	1,059,716	190,955
Non-current assets					
Other assets	6	-	6,000	-	-
Held-to-maturity financial assets	2	6,881	6,512	-	-
Available-for-sale financial assets	7	360,906	233,448	-	-
Investments in subsidiaries		-	-	2,010,492	2,010,492
Investment in an associate	8	3,005	3,395	-	-
Investment in joint venture	9	461,388	446,400	-	-
Property, plant and equipment		2,511,829	2,181,129	15	33
Deferred tax assets		8,480	8,480	-	-
Total non-current assets		3,352,489	2,885,364	2,010,507	2,010,525
Total assets		11,949,974	9,925,992	3,070,223	2,201,480
Current liabilities					
Trade and other payables	10	2,300,464	2,563,115	4,254	7,580
Notes payables		1,280,623	1,159,092	-	-
Borrowings		1,849,674	955,802	10	10
Income tax liabilities		341,257	348,844	-	-
Total current liabilities		5,772,018	5,026,853	4,264	7,590
Non-current liabilities					
Borrowings		528,445	297,452	15	22
Deferred income tax liabilities		22,889	22,889	-	-
Total non-current liabilities		551,334	320,341	15	22
Total liabilities		6,323,352	5,347,194	4,279	7,612
Net Assets		5,626,622	4,578,798	3,065,944	2,193,868
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		5,209,978	4,172,154	953,464	81,388
Equity attributable to owners of the Company		5,616,622	4,578,798	3,065,944	2,193,868
Non-controlling interests		10,000	-	-	-
Total equity		5,626,622	4,578,798	3,065,944	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	
	30/09/2018	31/12/2017
	RMB'000	RMB'000
Huao International Trust Co., Ltd	-	30,000
Mitralign, Inc	6,881	6,512
	<u>6,881</u>	<u>36,512</u>

The interest rate of the held-to-maturity financial asset ranges from 1.1% to 7.5% per annum and matures within 12 months.

Analysed as:

Current	-	30,000
Non-current	6,881	6,512
	<u>6,881</u>	<u>36,512</u>

3. Trade and other receivables - current

	The Group	
	30/09/2018	31/12/2017
	RMB'000	RMB'000
Trade receivables ⁽¹⁾	132,945	106,551
Notes receivable	706,392	821,861
	<u>839,337</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	
	30/09/2018	31/12/2017
	RMB'000	RMB'000
Raw materials	748,082	630,818
Work-in-progress	235,006	128,524
Finished goods	67,697	47,457
Production supplies	8,114	5,238
	<u>1,058,899</u>	<u>812,037</u>

The increase in inventories was primarily due to higher raw materials prices in 9M2018.

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

6. Other assets

	The Group	
	30/09/2018 RMB'000	31/12/2017 RMB'000
Deposits for offices	605	556
Prepayments ^(a)	656,023	330,073
Entrusted loan to third parties	61,675	52,667
VAT and tax recoverable	85,268	21,726
Commitment Sum and Bidding Deposit for the Proposed Acquisition of Anhui Shoukuang ^(b)	-	541,850
Loans to PT Dexin Steel Indonesia ^(c)	418,003	-
Others	150,791	31,278
	<u>1,372,365</u>	<u>978,150</u>
Analysed as:		
Current	1,372,365	972,150
Non-current	-	6,000
	<u>1,372,365</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.

^(c) These loans were made in accordance with the terms & conditions of the shareholders' agreement entered into in FY2017.

7. Available-for-sale financial assets

	The Group	
	30/09/2018 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	41,128	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	58,486	44,284
Shunwei Technology Equity Investment L.P	30,484	15,523
Tai You Fund I, LP	3,440	3,256
LDV Partners Fund I, LP	9,021	7,203
Ocean Imagination LP	29,162	14,660
Alpha Global Investment LP	48,165	26,050
MicRx Pharmaceutical Inc	15,520	15,000
Xin Yi Tai Fund Management LP	9,000	6,000
Tibet Boren Yutai Investment Centre LP	3,000	3,000
Citic Private Equity RMB Fund III	55,000	-
	<u>360,906</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	
	30/09/2018 RMB'000	31/12/2017 RMB'000
Trade payables to third parties	469,855	581,225
Letters of credit	418,114	691,131
VAT and other taxes payable	64,642	95,153
Payable to contractors for construction-in-progress	106,516	1,779
Advances from customers ⁽¹⁾	729,896	800,368
Other accrual for operating expenses	2,411	4,243
Accrual for staff cost	91,578	46,689
Due to directors (non-trade)	1,958	2,697
Deferred government grant	90,328	68,795
Compensation from PGLC ⁽²⁾	239,470	160,000
Deposit from customers	960	-
Other payables	84,736	111,035
	2,300,464	2,563,115

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, 4 April 2018 and 29 June 2018 for further details. Compensation from PGLC will be recognized as an income upon completion of the transfer of property, plant and equipment of Aoyu Steel to PGLC.

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 30/09/2018	As at 31/12/2017
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
1,290,500	559,174	855,802	100,000

Amount repayable after one year

As at 30/09/2018	As at 31/12/2017
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Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
523,479	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 30 September 2018, the Group's bank borrowings of approximately RMB2,415.6 million (2017: RMB1,747.9 million) were guaranteed by third parties. The Group has also provided guarantees to banks for borrowings of third parties amounting to approximately RMB179.8 million (2017: RMB295.1 million 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			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2018 RMB '000	30/09/2017 RMB '000	30/09/2018 RMB '000	30/09/2017 RMB '000
Cash flows from operating activities:				
Profit after income tax	521,786	973,934	1,286,883	1,742,570
Adjustments for:				
Depreciation	51,649	90,861	158,455	252,701
Amortisation of intangible asset	-	-	-	1,440
Impairment loss for property, plant and equipment	-	-	34,616	-
(Gain) loss on disposal of property, plant and equipment	(2,724)	(1,629)	(1,888)	7,200
Fair value (gain) loss on held for trading investments	(81)	515	(141)	(283)
Share of loss of an associate company	130	121	390	400
Share of loss of a joint venture	1,392	-	2,897	-
Interest income	(41,373)	(22,850)	(102,807)	(73,837)
Interest expense	35,498	29,405	91,509	85,712
Income tax expense	95,098	141,090	219,510	263,476
Unrealised currency translation loss (gain)	12,042	(3,810)	26,432	(9,503)
	151,631	233,703	428,973	527,306
Operating cash flow before working capital changes	673,417	1,207,637	1,715,856	2,269,876
Bank balances pledged	(180,986)	(19,939)	(1,177,674)	404,226
Receivables	(494,949)	(491,703)	(305,140)	(460,809)
Inventories	(260,812)	(266,800)	(246,862)	(425,593)
Payables	(365,579)	500,672	(262,650)	1,474,547
	(1,302,326)	(277,770)	(1,992,326)	992,371
Cash (used in) generated from operating activities	(628,909)	929,867	(276,470)	3,262,247
Income tax paid	(14,385)	(43,801)	(227,097)	(143,833)
Net cash (used in) generated from operating activities	(643,294)	886,066	(503,567)	3,118,414
Cash flows from investing activities:				
Payments for property, plant and equipment	(184,164)	(224,133)	(521,840)	(369,305)
(Purchase) proceeds from disposal of held to maturity financial assets	(254)	8,277	29,631	140,000
Proceeds (purchase) of available-for-sale financial assets	6,565	(32,073)	(116,130)	(58,234)
Proceeds (purchase) of held-for-trading investments	779,492	(616,245)	712,687	(893,682)
Interest received	41,373	22,850	102,807	73,837
Capital contribution by non-controlling interest	-	-	10,000	-
Net cash generated from (used in) investing activities	643,012	(841,324)	217,155	(1,107,384)
Cash flows from financing activities:				
Proceeds from borrowings	1,328,522	180,952	2,525,664	1,447,528
Repayment of borrowings	(86,001)	(121,749)	(1,279,266)	(2,927,390)
Interest paid	(35,498)	(29,405)	(91,509)	(85,712)
Dividend paid	(304,669)	-	(304,669)	-
Net cash generated from (used in) financing activities	902,354	29,798	850,220	(1,565,574)
Net increase in cash and cash equivalents	902,072	74,540	563,808	445,456
Cash and cash equivalents at beginning of the period	1,797,607	1,337,848	2,135,871	966,932
Cash and cash equivalents at end of the period	2,699,679	1,412,388	2,699,679	1,412,388

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	Non-controlling interest 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
Total comprehensive income for the period	-	-	10,550	18,755	-	484,320	-	513,625
Capital contribution by non-controlling interest	-	-	-	-	-	-	10,000	10,000
Balance as at 30 June 2018	406,644	261,613	(113,563)	26,469	141,072	4,641,925	10,000	5,374,160
Total comprehensive income for the period	-	-	6,355	28,987	-	521,789	-	557,131
Dividend paid	-	-	-	-	-	(304,669)	-	(304,669)
Balance as at 30 September 2018	406,644	261,613	(107,208)	55,456	141,072	4,859,045	10,000	5,626,622

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 income (loss) 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

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	2,112,480	249,218	(172,834)	2,188,864
Total comprehensive loss for the period	-	-	(1,265)	(1,265)
Balance as at 30 June 2018	2,112,480	249,218	(174,099)	2,187,599
Total comprehensive income for the period	-	-	878,345	878,345
Balance as at 30 September 2018	2,112,480	249,218	704,246	3,065,944

<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

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 3rd Quarter Ended	30/09/2018	30/09/2017
Number of ordinary shares as at 1 July	110,182,709	110,182,709
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 30 September	110,182,709	110,182,709

There were no outstanding convertibles as at 30 September 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 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 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			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	521,786	973,934	1,286,883	1,742,570
Basic earnings per share (in RMB)	4.74	8.84	11.68	15.82
Diluted earnings per share (in RMB)	4.74	8.84	11.68	15.82

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	
	30/09/2018	31/12/2017	30/09/2018	31/12/2017
Net Asset Value per share (RMB)	50.98	41.56	27.83	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) **Financial Review for the third quarter and nine-month ended 30 September 2018**

3Q2018 vs 3Q2017

Revenue

Group revenue increased by RMB281.2 million or 7.7% from RMB3,667.0 million in 3Q2017 to RMB3,948.2 million in 3Q2018. The increase in revenue was principally attributed to a significant increase in average selling prices of hot rolled coil ("HRC") amid tighter supplies following ongoing production curbs and growing demand from the construction and infrastructure sectors, despite a decrease in sales volume due to the cessation of operations at the Group's subsidiary, Aoyu Steel Co., Ltd since August 2017.

In 3Q2018, the Group sold 1,038,845 tonnes of HRC as compared to 1,063,750 tonnes of HRC and 32 tonnes of steel billets in 3Q2017. Overall sales quantity decreased by 24,937 tonnes or 2.3%.

Cost of sales

Total cost of sales increased by RMB386.3 million or 13.9%, from RMB2,788.1 million in 3Q2017 to RMB3,174.4 million in 3Q2018. The increase was primarily due to a significant increase in raw material prices in particular coke and steel scrap for steel production, despite lower sales volume in 3Q2018 as compared to the corresponding period. This increase was also due to higher staff costs incurred in 3Q2018.

Coke prices rose to the highest level since mid November 2017 due to tightening supply as well as mining production cuts as part of the new measures implemented to curb pollution.

Gross profit

Gross profit decreased by RMB105.1 million or 12.0%, from RMB878.9 million in 3Q2017 to RMB773.8 million in 3Q2018.

Gross profit margin decreased by 4.4 percentage points from 24.0% in 3Q2017 to 19.6% in 3Q2018. 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 3Q2018.

Other gains (losses) net

Other gains decreased by RMB326.4 million, from RMB349.0 million in 3Q2017 to RMB22.6 million in 3Q2018, mainly due to the absence of a RMB377.4 million one-off gain arising from the sale of production capacity licence of Aoyu Steel in 3Q2017.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB14.5 million, from RMB20.7 million in 3Q2017, to RMB6.2 million in 3Q2018. 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 RMB93.8 million, from RMB95.7 million in 3Q2017 to RMB189.5 million in 3Q2018 primarily due to an increase in RMB88.0 million research and development expenses incurred on products development during the period under review.

Finance expenses

Finance expenses increased by RMB6.1 million from RMB29.4 million in 3Q2017 to RMB35.5 million in 3Q2018. The increase was mainly due to increase in bank borrowings drawdown for working capital purposes coupled with the increase in interest rates on bank borrowings in 3Q2018 as compared to the previous corresponding period.

Net profit

As a result of the foregoing, the Group reported a net profit of RMB521.8 million in 3Q2018, compared to RMB973.9 million in 3Q2017. The net profit margin was 13.2% and 26.6% in 3Q2018 and 3Q2017, respectively.

9M2018 vs 9M2017**Revenue**

Group revenue increased by RMB806.3 million or 8.2%, from RMB9,852.8 million in 9M2017, to RMB10,659.1 million in 9M2018. The increase in revenue was principally attributed to a significant increase in average selling prices of hot rolled coil (“HRC”) amid tighter supplies following production cuts and driven by infrastructure and construction activities in the PRC as compared to the previous corresponding period, despite a decrease in sales volume due to the cessation of operations at the Group’s subsidiary, Aoyu Steel Co., Ltd coupled with the temporary shut down of two out of Delong Steel’s three blast furnaces due to the PRC’s Government’s environmental policies in 1Q2018.

In 9M2018, the Group sold 2,886,053 tonnes of HRC and 6,456 tonnes of steel billets as compared to 3,103,623 tonnes of HRC and 98 tonnes of steel billets in 9M2017. Overall sales quantity decreased by 211,212 tonnes or 6.8%.

Cost of sales

Total cost of sales increased by RMB909.6 million or 11.6%, from RMB7,870.4 million in 9M2017 to RMB8,780.0 million in 9M2018. The increase was primarily due to higher raw material prices (i.e., coke, coal and steel scrap) for production as compared to the corresponding period. The increase was also due to repair and maintenance expenses incurred on the Group’s production facilities in 9M2018.

Gross profit

Gross profit decreased by RMB103.3 million or 5.2%, from RMB1,982.4 million in 9M2017, to RMB1,879.1 million in 9M2018.

Gross profit margin decreased by 2.5 percentage points, from 20.1% in 9M2017 to 17.6% in 9M2018. The decrease was primarily due to the increase in production cost per tonne as mentioned above, which outpaced the increase in average selling prices of HRC sold in 9M2018.

Other gains (losses) net

Other gains decreased by RMB342.2 million, from other gains RMB340.0 million in 9M2017 to other losses RMB2.2 million in 9M2018, mainly due to the absence of a RMB377.4 million one-off gain arising from the sale of production capacity licence of Aoyu Steel in 9M2017.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB62.1 million, from RMB81.0 million in 9M2017, to RMB18.9 million in 9M2018. 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 RMB138.9 million, from RMB234.4 million in 9M2017, to RMB373.3 million in 9M2018, primarily due to the increase in research and development expenses incurred on product development, higher staff welfare contribution as well as higher sewage and environmental impact assessment fee incurred in 9M2018 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 increased by RMB5.8 million, from RMB85.7 million in 9M2017, to RMB91.5 million in 9M2018, mainly due to increase in bank borrowings drawdown for working capital purposes in 9M2018 as compared to the previous corresponding period.

Net profit

As a result of the foregoing, the Group reported a net profit of RMB1,286.9 million in 9M2018, compared to a net profit of RMB1,742.6 million in 9M2017. The net profit margin was 12.1% and 17.7% in 9M2018 and 9M2017, respectively.

(b) Review of balance sheet of the Group as at 30 September 2018

Current assets

Current assets increased by RMB1,556.9 million, from RMB7,040.6 million as at 31 December 2017 to RMB8,597.5 million as at 30 September 2018, primarily due to the increase in cash and cash equivalents (including bank balances pledged) generated from operating activities.

Higher bank balances pledged as security was in line with higher bank borrowings drawdown during the period under review.

Current liabilities

Current liabilities increased by RMB745.1 million, from RMB5,026.9 million as at 31 December 2017 to RMB5,772.0 million as at 30 September 2018, primarily due to the drawdown of short term bank borrowings for working capital purposes during the period under review.

Working capital

The working capital position improved by RMB811.7 million, from RMB2,013.8 million as at 31 December 2017, to RMB2,825.5 million as at 30 September 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 RMB330.7 million, from RMB2,181.1 million as at 31 December 2017 to RMB2,511.8 million as at 30 September 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 RMB231.0 million, from RMB320.3 million as at 31 December 2017 to RMB551.3 million as at 30 September 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

3Q2018 vs 3Q2017

Net Cash Used In Operating Activities

Operating cashflow before working capital changes decreased by RMB534.2 million, from RMB1,207.6 million in 3Q2017 to RMB673.4 million in 3Q2018, primarily due to the decrease in operating profit. Cash from operating activities decreased by RMB1,529.4 million from positive position RMB886.1 million in 3Q2017 to negative position RMB643.3 million in 3Q2018, attributable mainly to an overall decrease in trade and other payables and an increase in bank balances pledged as security for bank borrowings (including notes payable) for the period under review.

Net Cash Generated From Investing Activities

Net cash generated from investing activities was RMB643.0 million in 3Q2018. This comprised principally the proceeds of the disposal of held for trading investments and available-for-sale financial assets as well as interest received from the banks.

The increase was partially offset by the progress payments for the on-going technical enhancements to the upgrade production facilities in the PRC.

Net Cash Generated from Financing Activities

Net cash generated from financing activities was RMB902.4 million in 3Q2018. This was mainly attributable to the drawdown of bank borrowing of RMB1,328.5 million for working capital purposes, loan principal and interest repayments of RMB121.5 million. The increase was partially offset by RMB304.7 million dividend payment during the period under review.

9M2018 vs 9M2017

Net Cash Used In Operating Activities

Operating cashflow before working capital changes decreased by RMB554.0 million, from RMB2,269.9 million in 9M2017 to RMB1,715.9 million in 9M2018, primarily due to the decrease in operating profit. Net cash from operating activities decreased by RMB3,622.0 million from RMB3,118.4 million in 9M2017, to a negative position RMB503.6 million in 9M2018, attributable mainly to the increase in bank balances pledged as security for bank borrowings and the overall decrease in trade and other payables for the period under review.

Net Cash Generated From Investing Activities

Net cash generated from investing activities was RMB217.2 million in 9M2018. This comprised principally the proceeds of disposal of held for trading investments and held-to-maturity financial assets as well as interest received from the banks and capital contribution from non-controlling interest of Xingtai Degui Nano Material Technology Limited, the Group's 80% owned subsidiary.

The increase was partially offset by the progress payments for the on-going technical enhancements to the upgrade production facilities in the PRC and payments for the purchases of available-for-sale financial assets.

Net Cash Generated From Financing Activities

Net cash generated from financing activities was RMB850.2 million in 9M2018. This was mainly attributable to the drawdown of bank borrowings of RMB2,525.7 million, loan principal and interest repayments of RMB1,370.8 million. This was partially offset by RMB304.7 million dividend payment during period under review.

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 5 November 2018 that the Company would report a significant decrease in net profit for the three months period ended 30 September 2018 (“3Q2018”) as compared to same period last year.

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 data from the National Bureau of Statistics, China’s economy grew 6.6% in the third quarter of 2018, marginally below the 6.7% year-on-year growth achieved in the previous quarter, attributable to ongoing financial deleveraging and global trade concerns. On the industry level, crude steel output rose 7.5% year-on-year in September 2018 to reach a record high of 80.85 million tonnes; and for the nine-month period ending 30 September 2018, was up 6.1% year-on-year to reach 699.42 million tonnes. Despite higher production levels, steel market sentiments remained broadly weak, due to the enforcement of tougher environmental standards by government and industrial bodies. The China Iron and Steel Association had also said that China will continue to ease overcapacity, with a view towards reducing domestic steel capacity to less than 1 billion tonnes by 2025.

Within Hebei Province, a three-year industry capacity reduction work plan for the period from 2018 to 2020 was also put in place. Aimed at keeping total annual provincial capacity within 200 million tonnes, the work plan targets a reduction of steelmaking capacity by 12 million tonnes in 2018, and by 14 million tonnes per year in 2019 and 2020 respectively.

In addition to capacity reductions, the following targets have also been put in place, to be achieved by 2020: (i) phase out blast furnaces with capacities lower than 1,000 cubic meters, (ii) phase out converters with capacities below 100 tonnes, (iii) relocation of steel mills from the cities, (iv) compliance with a tougher set of emission targets, (v) as well as further consolidation within the industry, reducing from 14 steel producers to just 5-6 producers.

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. Notwithstanding the Group’s efforts to meet all the ongoing tightening environmental standards, Delong remains subject to the risk of production capacity cuts by the government which will have a material adverse impact on the profitability of the Group.

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 has obtained the type 9 Licence by the Securities and Futures Commission of Hong Kong and will diversify into asset management business in due course

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

No dividend has been declared for the quarter ended 30 September 2018.

A tax exempt one-tier interim dividend of S\$0.55 per share in respect of the financial period ended 30 June 2018 was paid to shareholders on 26 September 2018.

**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.

N.A

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

N.A

15. A breakdown of Sales

N.A

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. Interested person transactions

There were no interested person transactions for the nine-month ended 30 September 2018.

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