



# DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

## UNAUDITED FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 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					Increase (Decrease) %
		4 <sup>th</sup> Quarter Ended		Increase (Decrease) %	Year Ended		
		31/12/2018 RMB'000	31/12/2017 RMB'000		31/12/2018 RMB'000	31/12/2017 RMB'000	
<b>Sales</b>		3,628,320	2,978,502	21.8	14,287,453	12,831,279	11.3
Cost of sales		(3,160,378)	(2,232,355)	41.6	(11,940,378)	(10,102,751)	18.2
<b>Gross profit</b>		<b>467,942</b>	<b>746,147</b>	<b>(37.3)</b>	<b>2,347,075</b>	<b>2,728,528</b>	<b>(14.0)</b>
Other Income	1	112,248	56,094	100.1	228,740	141,240	62.0
Other gains (losses)-net	2	18,508	(37,254)	n.m	16,292	302,748	(94.6)
<b>Expenses</b>							
-Distribution and marketing		(14,627)	(6,981)	109.5	(33,520)	(87,990)	(61.9)
-Administrative		(29,417)	(139,936)	(79.0)	(402,744)	(374,298)	7.6
-Finance		(71,685)	(67,354)	6.4	(163,194)	(153,066)	6.6
Share of loss of an associate <sup>1</sup>		(221)	(206)	7.3	(611)	(606)	0.8
Share of loss of a joint venture <sup>2</sup>		(2,830)	-	n.m	(5,727)	-	n.m
<b>Profit before tax</b>	3	479,918	550,510	(12.8)	1,986,311	2,556,556	(22.3)
Income tax expenses	4	(65,928)	(223,174)	(70.5)	(285,438)	(486,650)	(41.3)
<b>Net Profit</b>		<b>413,990</b>	<b>327,336</b>	<b>26.5</b>	<b>1,700,873</b>	<b>2,069,906</b>	<b>(17.8)</b>
<b>Profit attributable to:</b>							
Equity holders of the Company		415,821	327,336	27.0	1,702,704	2,069,906	(17.7)
Non-controlling interest		(1,831)	-	n.m	(1,831)	-	n.m
		<b>413,990</b>	<b>327,336</b>	<b>26.5</b>	<b>1,700,873</b>	<b>2,069,906</b>	<b>(17.8)</b>

<sup>1</sup> This refers to Xingtai Xilan Zhongde Natural Gas Sales Co., Ltd

<sup>2</sup> This refers to PT Dexin Steel Indonesia

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Net profit</b>	<b>413,990</b>	<b>327,336</b>	<b>26.5</b>	<b>1,700,873</b>	<b>2,069,906</b>	<b>(17.8)</b>
<b>Other comprehensive income (loss):</b>						
Financial asset at FVTOCI						
-Fair value gain (loss)	48,359	(4,353)	n.m	(35,313)	(23,232)	52.0
Revaluation of property	-	(77,837)	(100.0)	-	-	-
Currency translation differences	(1,959)	(2,744)	(28.6)	42,320	(12,247)	(445.6)
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>46,400</b>	<b>(84,934)</b>	<b>(154.6)</b>	<b>7,007</b>	<b>(35,479)</b>	<b>(119.7)</b>
<b>Total comprehensive income</b>	<b>460,390</b>	<b>242,402</b>	<b>89.9</b>	<b>1,707,880</b>	<b>2,034,427</b>	<b>(16.1)</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	<b>462,221</b>	<b>242,402</b>	<b>90.7</b>	<b>1,709,711</b>	<b>2,034,427</b>	<b>(16.0)</b>
Non-controlling interest	(1,831)	-	n.m	(1,831)	-	n.m
	<b>460,390</b>	<b>242,402</b>	<b>89.9</b>	<b>1,707,880</b>	<b>2,034,427</b>	<b>(16.1)</b>

*nm-not meaningful*

**Notes:-**

**1. Other Income**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant <sup>(a)</sup>	6,638	(3,854)	18,318	7,097
Finance lease income	325	250	2,330	608
Interest income <sup>(b)</sup>	104,453	46,561	207,260	120,398
Dividend income	832	13,137	832	13,137
	<u>112,248</u>	<u>56,094</u>	<u>228,740</u>	<u>141,240</u>

**Notes:**

<sup>(a)</sup> Government grant received in recognition of the Group's technological improvement and environmental enhancement programmes in the PRC.

<sup>(b)</sup> Interest earned on bank deposits, financial assets at amortised costs, FVTOCI and entrusted loans to customers.

**2. Other gains (losses)-net**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain on financial assets at FVTPL	3,459	3,196	3,600	3,479
Currency translation (loss) gain-net	(105)	1,291	16,800 <sup>(a)</sup>	(20,697)
Loss on disposal of property, plant and equipment	(8,551)	(40,293)	(6,663)	(47,493)
Allowance for doubtful debts	(1,343)	-	(1,343)	-
Sale of Production Capacity Transfer <sup>(b)</sup>	-	-	-	377,358
Allowance for impairment charge on available-for-sale financial assets	-	(50,000)	-	(50,000)
Other <sup>(c)</sup>	25,048	48,552	3,898	40,101
	<u>18,508</u>	<u>(37,254)</u>	<u>16,292</u>	<u>302,748</u>

**Notes:**

<sup>(a)</sup> 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 financial year ended 31 December 2018 ("FY2018").

<sup>(b)</sup> 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.

<sup>(c)</sup> Others comprised the sale of gas, oxygen, electricity, etc.

**3. Profit before taxation includes the following items:-**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization <sup>(a)</sup>	55,958	69,218	214,413	323,359
Salaries and wages <sup>(b)</sup>	117,965	87,267	389,855	367,014
Operating lease rental	90	88	350	352

**Notes:**

<sup>(a)</sup> The decrease in depreciation and amortization for the fourth quarter of 2018 (“4Q2018”) and FY2018 was mainly due to certain assets being fully impaired and the cessation of Aoyu Steel’s operation in August 2017.

<sup>(b)</sup> The increase in staff costs was mainly due to higher payroll related expenses in 4Q2018 and FY2018 as compared to previous corresponding period.

**4. Income Tax Expense**

	<b>The Group</b>			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense				
-Foreign	3,328	223,013	222,618	492,273
-Singapore	(70)	161	150	1,025
Withholdings tax*				
-Foreign	62,683	-	62,683	-
Deferred income tax	-	-	-	(2,332)
Over provision in preceding financial years				
-Current income tax	(13)	-	(13)	(4,316)
	<u>65,928</u>	<u>223,174</u>	<u>285,438</u>	<u>486,650</u>

**Note:**

The effective tax rate for FY2018 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.

\*Dividend declared out of profit earned is subject to withholding tax in PRC with effect from 1 January 2008.

**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 31/12/2018	As at 31/12/2017	As at 31/12/2018	As at 31/12/2017
<b>Current assets</b>					
Cash and cash equivalents		2,766,631	2,135,871	5,138	2,127
Bank balances pledged		2,180,629	1,111,559	-	-
Financial assets at fair value through profit or loss (“FVTPL”)	1	1,863,654	989,439	-	-
Financial assets at amortised cost	2	550,000	30,000	-	-
Trade and other receivables	3	572,322	928,412	1,050,180	188,603
Inventories	4	607,656	812,037	-	-
Non-current assets held for sales	5	67,672	67,672	-	-
Other assets	6	325,114	972,150	126	225
<b>Total current assets</b>		<b>8,933,678</b>	<b>7,047,140</b>	<b>1,055,444</b>	<b>190,955</b>
<b>Non-current assets</b>					
Other assets	6	572,762	6,000	-	-
Financial assets at fair value through other comprehensive income (“FVTOCI”)	7	425,753	233,448	-	-
Investments in subsidiaries		-	-	2,010,492	2,010,492
Investment in an associate	8	2,784	3,395	-	-
Investment in joint venture	9	458,447	446,400	-	-
Property, plant and equipment		2,743,925	2,181,129	13	33
Deferred tax assets		14,886	8,480	-	-
<b>Total non-current assets</b>		<b>4,218,557</b>	<b>2,878,852</b>	<b>2,010,505</b>	<b>2,010,525</b>
<b>Total assets</b>		<b>13,152,235</b>	<b>9,925,992</b>	<b>3,065,949</b>	<b>2,201,480</b>
<b>Current liabilities</b>					
Trade and other payables	10	3,135,491	2,563,115	7,014	7,580
Notes payables		1,022,442	1,159,092	-	-
Borrowings		1,931,860	955,802	10	10
Income tax liabilities		226,501	348,844	-	-
<b>Total current liabilities</b>		<b>6,316,294</b>	<b>5,026,853</b>	<b>7,024</b>	<b>7,590</b>
<b>Non-current liabilities</b>					
Borrowings		725,440	297,452	12	22
Deferred income tax liabilities		22,889	22,889	-	-
<b>Total non-current liabilities</b>		<b>748,329</b>	<b>320,341</b>	<b>12</b>	<b>22</b>
<b>Total liabilities</b>		<b>7,064,623</b>	<b>5,347,194</b>	<b>7,036</b>	<b>7,612</b>
<b>Net Assets</b>		<b>6,087,612</b>	<b>4,578,798</b>	<b>3,058,913</b>	<b>2,193,868</b>
<b>Capital reserves and non-controlling interests</b>					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		5,672,199	4,172,154	946,433	81,388
Equity attributable to owners of the Company		6,078,843	4,578,798	3,058,913	2,193,868
Non-controlling interests		8,769	-	-	-
<b>Total equity</b>		<b>6,087,612</b>	<b>4,578,798</b>	<b>3,058,913</b>	<b>2,193,868</b>

**Notes:**

1. This mainly relates to cash placed with the financial institutions for a tenor of 7 days. The interest rate on FVTPL is approximately 3% per annum.

2. Financial assets at amortised cost

	The Group	
	31/12/2018	31/12/2017
	RMB'000	RMB'000
Bohai International Trust Co., Ltd	550,000	-
Huao International Trust Co., Ltd	-	30,000
	<u>550,000</u>	<u>30,000</u>

The interest rate of financial assets at amortised cost ranges from 7.1% to 7.5% per annum.

3. Trade and other receivables - current

	The Group	
	31/12/2018	31/12/2017
	RMB'000	RMB'000
Trade receivables <sup>(1)</sup>	193,380	106,551
Notes receivable	378,942	821,861
	<u>572,322</u>	<u>928,412</u>

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

4. Inventories

	The Group	
	31/12/2018	31/12/2017
	RMB'000	RMB'000
Raw materials	358,690	630,818
Work-in-progress	53,550	128,524
Finished goods	44,665	47,457
Production supplies	150,751	5,238
	<u>607,656</u>	<u>812,037</u>

The decrease in inventories was primarily due to the decreased purchase of raw materials in anticipation of lower raw materials prices in FY2019.

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

6. Other assets

	The Group	
	31/12/2018 RMB'000	31/12/2017 RMB'000
Deposits for offices	587	556
Prepayments <sup>(a)</sup>	173,627	330,073
Entrusted loan to third parties	14,011	52,667
VAT and tax recoverable	7,927	21,726
Commitment Sum and Bidding Deposit for the Proposed Acquisition of Anhui Shoukuang <sup>(b)</sup>	-	541,850
Loans to PT Dexin Steel Indonesia <sup>(c)</sup>	572,762	-
Others	128,962	31,278
	<u>897,876</u>	<u>978,150</u>
Analysed as:		
Current	325,114	972,150
Non-current	572,762	6,000
	<u>897,876</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. Financial assets at fair value through other comprehensive income

	The Group	
	31/12/2018 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	41,494	39,972
Shan Nan De Lian Heng Tong Investment	49,626	38,500
Qingdao Kutesmart Co., Ltd	12,220	10,000
CEG Ventures I, L.P	88,459	44,284
Shunwei Technology Equity Investment L.P	41,247	15,523
Tai You Fund I, LP	6,880	3,256
LDV Partners Fund I, LP	9,020	7,203
Ocean Imagination LP	38,453	14,660
Alpha Global Investment LP	46,683	26,050
MicuRx Pharmaceutical Inc	15,501	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	54,170	-
	<u>425,753</u>	<u>233,448</u>

During the financial year under review, the Company had engaged the professional third party valuer to carry out an assessment review in respect of the Group's FVTOCI. Based on the valuation, a fair value gain of RMB56.5 million was recognized on FVTOCI.

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	
	31/12/2018 RMB'000	31/12/2017 RMB'000
Trade payables to third parties	620,920	581,225
Letters of credit	486,835	691,131
VAT and other taxes payable	122,560	95,153
Payable to contractors for construction-in-progress	12,297	1,779
Advances from customers <sup>(1)</sup>	1,246,495	800,368
Other accrual for operating expenses	4,913	4,243
Accrual for staff cost	49,407	46,689
Due to directors (non-trade)	2,363	2,697
Deferred government grant	91,966	68,795
Compensation from PGLC <sup>(2)</sup>	239,470	160,000
Deposit from customers	22,047	-
Other payables	236,218	111,035
	3,135,491	2,563,115

**Notes:**

- <sup>(1)</sup> 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.
- <sup>(2)</sup> Please refer to the Company's announcement dated 12 December 2017, 4 April 2018 and 29 June 2018 for details.

Subsequent to the financial year ended 31 Decemeber 2018, the Company has received a further sum of RMB32.53 million from PGLC. Please refer to the Company announcement dated 18 January 2019 for details. The Company will continue following up with PGLC on the necessary payment, and will keep shareholders informed of any material developments on this matter.

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 31/12/2018	As at 31/12/2017
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
577,560	1,354,300	855,802	100,000

**Amount repayable after one year**

As at 31/12/2018	As at 31/12/2017
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
720,474	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 December 2018, the Group's bank borrowings of approximately RMB2,786.8 million (2017: RMB 1,747.9 million) were guaranteed by third parties. The Group has also provided guarantees to banks for borrowings of third parties amounting to approximately RMB255.8 million (2017: RMB 295.1 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			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Cash flows from operating activities:</b>				
Profit after income tax	413,990	327,336	1,700,873	2,069,906
Adjustments for:				
Depreciation	55,958	69,218	214,413	321,919
Amortisation of intangible asset	-	-	-	1,440
Allowance for doubtful debts	1,343	-	1,343	-
Loss on disposal of property, plant and equipment	8,551	40,293	6,663	47,493
Fair value gain on FVTPL	(3,459)	(3,196)	(3,600)	(3,479)
Allowance for impairment for FVTOCI	-	50,000	-	50,000
Share of loss of an associate company	221	206	611	606
Share of loss of a joint venture	2,830	-	5,727	-
Interest income	(104,453)	(46,561)	(207,260)	(120,398)
Dividend income	(832)	(13,137)	(832)	(13,137)
Interest expense	71,685	67,354	163,194	153,066
Income tax expense	65,928	223,174	285,438	486,650
Unrealised currency translation (gain) loss	(54,580)	28,996	(28,148)	19,493
	43,192	416,347	437,549	943,653
<b>Operating cash flow before working capital changes</b>	457,182	743,683	2,138,422	3,013,559
Bank balances pledged	108,604	55,994	(1,069,070)	460,220
Receivables	1,313,523	(203,667)	1,008,383	(664,476)
Inventories	451,243	166,074	204,381	(259,519)
Payables	835,027	(226,401)	572,377	1,248,146
	2,708,397	(208,000)	716,071	784,371
<b>Cash generated from operating activities</b>	3,165,579	535,683	2,854,493	3,797,930
Income tax paid	(187,090)	(36,184)	(414,187)	(180,017)
<b>Net cash generated from operating activities</b>	2,978,489	499,499	2,440,306	3,617,913
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment	(299,076)	(250,793)	(786,300)	(620,098)
Proceeds on disposal of property, plant and equipment	2,464	102,829	2,464	102,829
(Purchases) proceeds of FVTPL	(1,583,301)	640,177	(870,615)	(253,505)
Purchases of FVTOCI	(16,488)	(44,458)	(132,618)	(102,692)
(Purchases) proceeds of financial assets at amortised costs	(549,632)	194,538	(520,000)	334,538
Interest received	104,453	46,561	207,260	120,398
Dividend income	832	13,137	832	13,137
Loan to joint venture	(572,762)	-	(572,762)	-
Investment in joint venture	-	(446,400)	-	(446,400)
Capital contribution by non-controlling interest	-	-	10,000	-
<b>Net cash (used in) generated from investing activities</b>	(2,913,510)	255,591	(2,661,739)	(851,793)
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	1,025,644	284,424	3,672,840	1,731,952
Repayments of borrowings	(1,004,642)	(218,135)	(2,405,440)	(3,145,525)
Interest paid	(71,685)	(67,354)	(163,194)	(153,066)
Dividend paid	-	-	(304,669)	-
<b>Net cash (used in) generated from financing activities</b>	(50,683)	(1,065)	799,537	(1,566,639)
<b>Net increase in cash and cash equivalents</b>	14,296	754,025	578,104	1,199,481
Cash and cash equivalents at beginning of the period	2,699,679	1,412,388	2,135,871	966,932
Effect of currency translation on cash and cash equivalents	52,656	(30,542)	52,656	(30,542)
<b>Cash and cash equivalents at end of the period</b>	2,766,631	2,135,871	2,766,631	2,135,871

**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**

<b><u>The Group</u></b>	<b>Share Capital</b> RMB '000	<b>Capital reserve</b> RMB '000	<b>Fair value reserve</b> RMB '000	<b>Translation reserve</b> RMB '000	<b>Statutory reserve</b> RMB '000	<b>Retained earnings</b> RMB '000	<b>Non-controlling interest</b> RMB '000	<b>Total</b> RMB '000
<b>Balance as at 1 January 2018</b>	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
<b>Balance as at 31 March 2018</b>	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
<b>Balance as at 30 June 2018</b>	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)
<b>Balance as at 30 September 2018</b>	406,644	261,613	(107,208)	55,456	141,072	4,859,045	10,000	5,626,622
Total comprehensive income (loss) for the period	-	-	48,359	(1,959)	-	415,821	(1,831)	460,390
Capital contribution by non-controlling interest	-	-	-	-	-	-	600	600
<b>Balance as at 31 December 2018</b>	406,644	261,613	(58,849)	53,497	141,072	5,274,866	8,769	6,087,612

<b><u>The Group</u></b>	<b>Share Capital RMB '000</b>	<b>Capital reserve RMB '000</b>	<b>Property revaluation reserve RMB'000</b>	<b>Fair value reserve RMB'000</b>	<b>Translation reserve RMB '000</b>	<b>Statutory reserve RMB '000</b>	<b>Retained earnings RMB '000</b>	<b>Total RMB '000</b>
<b>Balance as at 1 January 2017</b>	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
<b>Balance as at 31 March 2017</b>	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
<b>Balance as at 30 June 2017</b>	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
<b>Balance as at 30 September 2017</b>	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
<b>Balance as at 31 December 2017</b>	406,644	261,613	-	(23,536)	11,177	141,072	3,781,828	4,578,798

**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**

<b><u>The Company</u></b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Balance as at 1 January 2018</b>	2,112,480	249,218	(167,830)	2,193,868
Total comprehensive loss for the period	-	-	(5,004)	(5,004)
<b>Balance as at 31 March 2018</b>	2,112,480	249,218	(172,834)	2,188,864
Total comprehensive loss for the period	-	-	(1,265)	(1,265)
<b>Balance as at 30 June 2018</b>	2,112,480	249,218	(174,099)	2,187,599
Total comprehensive income for the period	-	-	878,345	878,345
<b>Balance as at 30 September 2018</b>	2,112,480	249,218	704,246	3,065,944
Total comprehensive loss for the period	-	-	(7,031)	(7,031)
<b>Balance as at 31 December 2018</b>	2,112,480	249,218	697,215	3,058,913

<b><u>The Company</u></b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Balance as at 1 January 2017</b>	2,112,480	249,218	(154,098)	2,207,600
Total comprehensive loss for the period	-	-	(440)	(440)
<b>Balance as at 31 March 2017</b>	2,112,480	249,218	(154,538)	2,207,160
Total comprehensive loss for the period	-	-	(4,029)	(4,029)
<b>Balance as at 30 June 2017</b>	2,112,480	249,218	(158,567)	2,203,131
Total comprehensive loss for the period	-	-	(3,515)	(3,515)
<b>Balance as at 30 September 2017</b>	2,112,480	249,218	(162,082)	2,199,616
Total comprehensive loss for the period	-	-	(5,748)	(5,748)
<b>Balance as at 31 December 2017</b>	2,112,480	249,218	(167,830)	2,193,868

**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**

<b>Changes in the Share Capital of the Company for 4<sup>th</sup> Quarter Ended</b>	31/12/2018	31/12/2017
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 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			
	4 <sup>th</sup> Quarter Ended		Year Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	415,821	327,336	1,702,704	2,069,906
Basic earnings per share (in RMB)	3.77	2.97	15.45	18.79
Diluted earnings per share (in RMB)	3.77	2.97	15.45	18.79

**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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net Asset Value per share (RMB)	55.17	41.56	27.76	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.

(a) **Financial Review for the fourth quarter and year ended 31 December 2018**

**4Q2018 vs 4Q2017**

**Revenue**

Group revenue increased by RMB649.8 million or 21.8% from RMB2,978.5 million in 4Q2017 to RMB3,628.3 million in 4Q2018. The increase in revenue was principally attributed to the continued increase in the volume of hot rolled coil ("HRC") sold amid tighter supplies following ongoing production curbs and growing demand from the construction and infrastructure sectors, despite a significant decrease in average selling prices.

In 4Q2018, the Group sold 1,037,994 tonnes of HRC as compared to 822,841 tonnes of HRC and 60 tonnes of steel billets in 4Q2017. Overall sales quantity increased by 215,093 tonnes or 26.1%.

**Cost of sales**

Total cost of sales increased by RMB928.0 million or 41.6%, from RMB2,232.4 million in 4Q2017 to RMB3,160.4 million in 4Q2018. The increase was primarily due to higher sales volume as mentioned above, coupled with higher raw material prices (i.e., coke, coal etc) and maintenance costs as compared to the previous corresponding period.

Coking coal and coke prices rose to the highest level amid tighter supplies and mining production cuts as part of the measures implemented to curb pollution.

**Gross profit**

Gross profit decreased by RMB278.2 million or 37.3%, from RMB746.1 million in 4Q2017 to RMB467.9 million in 4Q2018.

Gross profit margin decreased by 12.2 percentage points from 25.1% in 4Q2017 to 12.9% in 4Q2018. 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 4Q2018.

**Distribution and marketing expenses**

Distribution and marketing expenses increased by RMB7.6 million, from RMB7.0 million in 4Q2017, to RMB14.6 million in 4Q2018. The increase was mainly due to one-off transportation costs associated with the delivery of sintering ore to customers and disposal of steel dust and sludge in 4Q2018.

**Administrative expenses**

Administrative expenses decreased by RMB110.5 million, from RMB139.9 million in 4Q2017 to RMB29.4 million in 4Q2018, primarily due to the reversal of administrative expenses (i.e., research and development expenses, sewage and environmental impact assessment fee, and general administrative expenses) overprovided in the first three quarters of FY2018.



### **Finance expenses**

Finance expenses increased by RMB4.3 million from RMB67.4 million in 4Q2017 to RMB71.7 million in 4Q2018, primarily due to increase in bank borrowings drawdown for working capital purposes as compared to the previous corresponding period.

### **Net profit**

As a result of the foregoing, the Group reported a net profit of RMB414.0 million in 4Q2018, compared to RMB327.3 million in the corresponding period. The net profit margin was 11.4% and 11.0% in 4Q2018 and 4Q2017, respectively.

### **FY2018 vs FY2017**

#### **Revenue**

Group revenue increased by RMB1,456.2 million or 11.3%, from RMB12,831.3 million in FY2017, to RMB14,287.5 million in FY2018. The increase in revenue was principally attributed to increase in average selling prices of HRC amid tighter supplies following production cuts and driven by infrastructure and construction activities in the PRC as compared to the previous corresponding period.

In FY2018, the Group sold 3,924,046 tonnes of HRC and 6,456 tonnes of steel billets as compared to 3,926,463 tonnes of HRC and 486 tonnes of steel billets in FY2017. Overall sales quantity increased marginally by 3,553 tonnes or 0.1%.

#### **Cost of sales**

Total cost of sales increased by RMB1,837.6 million or 18.2%, from RMB10,102.8 million in FY2017 to RMB11,940.4 million in FY2018. The increase was primarily due to higher raw material prices (i.e., coke, coal, steel scrap etc) for production as compared to the corresponding period.

#### **Gross profit**

Gross profit decreased by RMB381.4 million or 14.0%, from RMB2,728.5 million in FY2017, to RMB2,347.1 million in FY2018.

Gross profit margin decreased by 4.9 percentage points, from 21.3% in FY2017 to 16.4% in FY2018. The decrease was primarily due to the increase in raw material prices, which outpaced the increase in average selling prices of HRC sold in FY2018.

#### **Other Income**

Other income decreased by RMB286.4 million, from RMB302.7 million in FY2017, to RMB16.3 million in FY2018, primarily due to the absence of a RMB377.4 million one-off gain from the sale of production capacity license of Aoyu Steel recorded in FY2017.

#### **Distribution and marketing expenses**

Distribution and marketing expenses decreased by RMB54.5 million, from RMB88.0 million in FY2017, to RMB33.5 million in FY2018. 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 RMB28.4 million, from RMB374.3 million in FY2017, to RMB402.7 million in FY2018, 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 FY2018 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 RMB10.1 million, from RMB153.1 million in FY2017, to RMB163.2 million in FY2018, mainly due to increase in bank borrowings drawdown for working capital purposes coupled with the increase in interest rates on bank borrowings in FY2018 as compared to the previous corresponding period.

### **Net profit**

As a result of the foregoing, the Group reported a net profit after tax of RMB1,700.9 million in FY2018, compared to a net profit of RMB2,069.9 million in FY2017. The net profit margin was 11.9% and 16.1% in FY2018 and FY2017, respectively.

## **(b) Review of balance sheet of the Group as at 31 December 2018**

### **Current assets**

Current assets increased by RMB1,886.6 million, from RMB7,047.1 million as at 31 December 2017 to RMB8,933.7 million as at 31 December 2018, primarily due to the increase in cash and cash equivalents (including bank balances pledged) generated from operating activities.

### **Current liabilities**

Current liabilities increased by RMB1,289.4 million, from RMB5,026.9 million as at 31 December 2017 to RMB6,316.3 million as at 31 December 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 RMB597.1 million, from RMB2,020.3 million as at 31 December 2017, to RMB2,617.4 million as at 31 December 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 RMB562.8 million, from RMB2,181.1 million as at 31 December 2017 to RMB2,743.9 million as at 31 December 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 RMB428.0 million, from RMB320.3 million as at 31 December 2017 to RMB748.3 million as at 31 December 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**

### **4Q2018 vs 4Q2017**

#### **Net Cash Generated From Operating Activities**

Operating cashflow before working capital changes decreased by RMB286.5 million, from RMB743.7 million in 4Q2017 to RMB457.2 million in 4Q2018, primarily due to the decrease in operating profit. Net cash from operating activities increased by RMB2,479.0 million from RMB499.5 million in 4Q2017 to RMB2,978.5 million in 4Q2018, attributable mainly to better working capital management during the period under review.

### **Net Cash Used In Investing Activities**

Net cash used in investing activities was RMB2,913.5 million in 4Q2018, primarily due to the increase in the Group's investment in FVTOCI, FVTPL and financial assets at amortised costs as well as the progress payment for on-going technical enhancements to upgrade production facilities in the PRC during the period under review.

The Group has deployed parts of its cash and cash equivalents towards investments in FVTPL, FVTOCI and financial assets at amortised costs investments during the period under review.

The increase was partially offset by interest received from the banks.

### **Net Cash Used In Financing Activities**

Net cash used in financing activities was RMB50.7 million in 4Q2018. This was mainly attributable to the drawdown of bank borrowing of RMB1,025.6 million for working capital purposes, loan principal and interest repayments of RMB1,076.3 million.

## **FY2018 vs FY2017**

### **Net Cash Generated From Operating Activities**

Operating cashflow before working capital changes decreased by RMB875.2 million, from RMB3,013.6 million in FY2017 to RMB2,138.4 million in FY2018, primarily due to the decrease in operating profit. Net cash from operating activities decreased by RMB1,177.6 million from RMB3,617.9 million in FY2017, to RMB2,440.3 million in FY2018, attributable mainly to the increase in bank balances pledged as security to banks for the issuance of bank borrowings (including notes payables).

The decrease was partially offset by decrease in note receivables and inventories during the period under review.

### **Net Cash Used in Investing Activities**

Net cash used in investing activities was RMB2,661.7 million in FY2018, primarily due to the increase in the Group's investment in FVTOCI, FVTPL and financial assets at amortised costs as well as the progress payments for the technical enhancements to upgrade production facilities in the PRC.

The Group has also advanced an aggregate sum of RMB572.8 million to P.T. Dexin Steel Indonesia-a 45%-owned joint-venture company, during the period under review.

The increase was partially offset by interest received from the banks.

### **Net Cash Generated From Financing Activities**

Net cash generated from financing activities was RMB799.5 million in FY2018. This was mainly attributable to the drawdown of bank borrowings of RMB3,672.8 million, loan principal and interest repayments of RMB2,568.6 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 is of the view that its financial results for 4Q2018 are in line with the commentary in the results announcement for the financial period ended 30 September 2018.

**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**

Based on preliminary data released by the National Bureau of Statistics (NBS), China achieved a fairly stable GDP growth rate of 6.6% for 2018, which was a notch below the growth of 6.8% reported in the preceding year. The NBS also reported a record national crude steel output of 928 million tonnes in 2018, representing a 6.6% year-on-year increase. Notwithstanding the higher output, market watchers anticipate steel consumption to decline in 2019, dragged by waning demand in the property, automobile and energy sectors. The China Iron and Steel Association had also said that China will continue to reduce 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 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 1 million tonnes, (iii) relocation of steel mills from the cities, (iii) compliance with a tougher set of emission targets, (iv) as well as further consolidation within the industry, reducing from 14 steel producers to just 5-6 producers.

While the abovementioned measures have not affected Delong's operations, the Group does not discount the possibility that the implementation any further tightening measures may invariably impact its operations and commercial viability.

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.

As announced by the Group on 13 December 2018, the Group's 45%-owned joint-venture (JV) steel project in Indonesia is expected to become operational in end-June 2019. Please refer to the announcement dated 13 December 2018 for further details.

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 financial year ended 31 December 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.**

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.

<b>31 December 2018</b>	<u>Manufacturing</u> RMB'000	<u>Other</u> RMB'000	<u>Total</u> RMB'000
<b>REVENUE</b>			
Sales	16,510,852	-	16,510,852
Inter-segment sales	(2,223,399)	-	(2,223,399)
Sales to external parties	<u>14,287,453</u>	<u>-</u>	<u>14,287,453</u>
<b>Adjusted EBITDA*</b>	2,366,434	8,228	2,374,662
Depreciation and amortisation	(213,812)	(601)	(214,413)
Loss on disposal of property, plant and equipment	(6,663)	-	(6,663)
Fair value gain (loss)-financial assets at fair value through profit or loss	6,616	(3,016)	3,600
Allowance for doubtful debts	(1,343)	-	(1,343)
Unallocated:			
Finance expense			(163,194)
Share of loss of an associate company			(611)
Share of loss of a joint venture company			(5,727)
Profit before income tax			<u>1,986,311</u>
<b>Total assets</b>	<u>11,650,413</u>	<u>1,501,822</u>	<u>13,152,235</u>
Total assets include:			
Additions to property, plant and equipment	783,133	3,167	786,300
<b>Total liabilities</b>	<u>7,048,311</u>	<u>16,312</u>	<u>7,064,623</u>

<b>31 December 2017</b>	<u>Manufacturing</u> RMB'000	<u>Other</u> RMB'000	<u>Total</u> RMB'000
<b>REVENUE</b>			
Sales	15,264,947	-	15,264,947
Inter-segment sales	(2,433,668)	-	(2,433,668)
Sales to external parties	<u>12,831,279</u>	-	<u>12,831,279</u>
<b>Adjusted EBITDA*</b>			
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>
<b>Total assets</b>	<u>9,682,695</u>	<u>243,297</u>	<u>9,925,992</u>
Total assets include:			
Additions to property, plant and equipment	491,610	1,354	492,964
<b>Total liabilities</b>	<u>5,331,890</u>	<u>15,304</u>	<u>5,347,194</u>

\*EBITDA refers to earnings before interest, tax, depreciation and amortisation.

#### **By Geographical Segmentation - FY2018 and FY2017**

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**

	FY2018	FY2017	Increase
	RMB'000	RMB'000	%
Sales reported for first half year	6,710,943	6,185,748	8.5
Profit after exceptional items, non-controlling interest and tax reported for the first half year	765,097	768,636	(0.5)
Sales reported for second half year	7,576,510	6,645,531	14.0
Profit after exceptional items, non-controlling interest and tax reported for the second half year	937,607	1,301,270	(27.9)

**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**

There were no interested person transactions for the twelve-month ended 31 December 2018.

**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