



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2019

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 2019 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
8 May 2019

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
		31/03/2019	31/03/2018	(Decrease)
Note		RMB'000	RMB'000	%
	Sales	3,453,331	2,949,993	17.1
	Cost of sales	(3,108,033)	(2,509,412)	23.9
	Gross Profit	345,298	440,581	(21.6)
	Other income	40,474	31,231	29.6
	Other gains (losses) -net	4,364	(6,244)	(169.9)
	Expenses			
	-Distribution and marketing	(15,304)	(6,875)	122.6
	-Administrative	(106,992)	(99,111)	8.0
	-Finance	(82,184)	(29,589)	177.8
	Share of loss of an associate ¹	(98)	(128)	(23.4)
	Share of loss of a joint venture ²	(2,436)	(269)	805.6
	Profit before tax	183,122	329,596	(44.4)
	Income tax expense	(32,102)	(48,819)	(34.2)
	Net Profit	151,020	280,777	(46.2)
	Profit attributable to:			
	Equity holders of the Company	151,072	280,777	(46.2)
	Non-controlling interest	(52)	-	n.m
		151,020	280,777	(46.2)

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

² This refers to PT Dexin Steel Indonesia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit	151,020	280,777	(46.2)
Other comprehensive loss:			
Financial asset at FVTOCI			
-Fair value gain (loss)	2,019	(5,577)	(136.2)
Currency translation differences	(26,232)	(3,463)	657.5
Other comprehensive loss for the period, net of tax	(24,213)	(9,040)	167.8
Total comprehensive income	126,807	271,737	(53.3)
Total comprehensive income attributable to:			
Equity holders of the Company	126,859	271,737	(53.3)
Non-controlling interest	(52)	-	n.m
	126,807	271,737	(53.3)

Notes:-

1. Other income

	The Group	
	1 st Quarter Ended	
	31/03/2019	31/03/2018
	RMB'000	RMB'000
Finance lease income	254	265
Interest income ^(a)	40,220	30,966
	<u>40,474</u>	<u>31,231</u>

Notes:

^(a) Interest earned on bank deposits, financial assets at amortised costs, FVTOCI.

2. Other gains (losses) -net

	The Group	
	1 st Quarter Ended	
	31/03/2019	31/03/2018
	RMB'000	RMB'000
Currency translation losses –net ⁽¹⁾	(2,619)	(12,281)
Fair value gain (loss) on financial assets at FVTPL	806	(303)
Loss on disposal of financial assets at FVTPL	(23)	-
Loss on disposal of property, plant and equipment	(162)	(849)
Others ⁽²⁾	6,362	7,189
	<u>4,364</u>	<u>(6,244)</u>

⁽¹⁾ The 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 2019 (“1Q2019”).

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

3. Profit before tax includes the following items:-

	The Group	
	1 st Quarter Ended	
	31/03/2019	31/03/2018
	RMB'000	RMB'000
Depreciation ⁽¹⁾	58,208	53,034
Staff costs ⁽²⁾	119,713	99,221
Rental on operating lease	88	86

Note:

⁽¹⁾ The increase in depreciation in 1Q2019 was mainly due to an increase in capital expenditure.

⁽²⁾ The increase in staff costs was mainly due to higher headcounts and payroll related expenses.

4. Income Tax Expense

	The Group	
	1 st Quarter Ended	
	31/03/2019	31/03/2018
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	32,104	48,778
-Singapore	-	41
Adjustments in respect of the preceding financial years		
Current income tax	(2)	-
	<hr/>	<hr/>
	32,102	48,819

Note:-

The effective tax rate for 1Q2019 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 31/03/2019	As at 31/12/2018	As at 31/03/2019	As at 31/12/2018
Current assets					
Cash and cash equivalents		5,571,465	2,766,631	736	5,138
Bank balances pledged		2,760,688	2,180,629	-	-
Financial assets at fair value through profit or loss ("FVTPL")	1	178,635	1,863,654	-	-
Other financial assets at amortised cost	2	550,000	550,000	-	-
Trade receivables	3	361,230	193,380	1,048,028	1,050,180
Inventories	4	796,316	607,656	-	-
Non-current assets held for sale	5	67,672	67,672	-	-
Other assets	6	469,773	325,114	399	126
Financial assets at fair value through other comprehensive income ("FVTOCI")	7	145,257	378,942	-	-
Total current assets		10,901,036	8,933,678	1,049,163	1,055,444
Non-current assets					
Other assets	6	773,965	572,762	-	-
Financial assets at fair value through other comprehensive income ("FVTOCI")	7	421,272	425,753	-	-
Investments in subsidiaries		-	-	2,010,492	2,010,492
Investment in an associate	8	2,686	2,784	-	-
Investment in a joint venture	9	445,253	458,447	-	-
Property, plant and equipment		3,138,837	2,743,925	20	13
Deferred tax assets		12,063	14,886	-	-
Total non-current assets		4,794,076	4,218,557	2,010,512	2,010,505
Total assets		15,695,112	13,152,235	3,059,675	3,065,949
Current liabilities					
Trade and other payables	10	3,809,797	3,135,491	5,375	7,014
Notes payables		2,243,269	1,022,442	-	-
Borrowings		1,882,863	1,931,860	13	10
Income tax liabilities		156,395	226,501	-	-
Total current liabilities		8,092,324	6,316,294	5,388	7,024
Non-current liabilities					
Borrowings		1,365,480	725,440	50	12
Deferred income tax liabilities		22,889	22,889	-	-
Total non-current liabilities		1,388,369	748,329	50	12
Total liabilities		9,480,693	7,064,623	5,438	7,036
Net Assets		6,214,419	6,087,612	3,054,237	3,058,913
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		5,799,058	5,672,199	941,757	946,433
Equity attributable to owners of the Company		6,205,702	6,078,843	3,054,237	3,058,913
Non-controlling interests		8,717	8,769	-	-
Total equity		6,214,419	6,087,612	3,054,237	3,058,913

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	
	31/03/2019 RMB'000	31/12/2018 RMB'000
Bohai International Trust Co., Ltd	550,000	550,000

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

3. Trade receivables - current

	The Group	
	31/03/2019 RMB'000	31/12/2018 RMB'000
Trade receivables ⁽¹⁾	361,230	193,380

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

The increase in trade receivable was in line with higher revenue in 1Q2019.

4. Inventories

	The Group	
	31/03/2019 RMB'000	31/12/2018 RMB'000
Raw materials	523,530	358,690
Work-in-progress	178,958	53,550
Finished goods	72,018	44,665
Production supplies	21,810	150,751
	796,316	607,656

The increase in inventories was primarily due to increased raw materials prices (i.e., coke, coal and steel scrap) in 1Q2019.

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

6. Other assets

	The Group	
	31/03/2019 RMB'000	31/12/2018 RMB'000
Deposits for offices	574	587
Prepayments ^(a)	315,172	187,638
VAT and tax recoverable	6,969	28,128
Loans to PT Dexin Steel Indonesia ^(b)	773,965	572,762
Interest receivables	28,016	22,275
Others	119,042	86,486
	<u>1,243,738</u>	<u>897,876</u>
Analysed as:		
-Current	469,773	325,114
-Non-current	773,965	572,762
	<u>1,243,738</u>	<u>897,876</u>

Notes:

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

	The Group	
	31/03/2019 RMB'000	31/12/2018 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	38,992	41,494
Shan Nan De Lian Heng Tong Investment	49,626	49,626
Qingdao Kutesmart Co., Ltd	12,220	12,220
CEG Ventures I, L.P	87,085	88,459
Shunwei Technology Equity Investment L.P	41,247	41,247
Tai You Fund I, LP	6,719	6,880
LDV Partners Fund I, LP	8,808	9,020
Ocean Imagination LP	39,717	38,453
Alpha Global Investment LP	45,552	46,683
MicuRx Pharmaceutical Inc	15,136	15,501
Xin Yi Tai Fund Management LP	9,000	9,000
Tibet Boren Yutai Investment Centre LP	3,000	3,000
Citic Private Equity RMB Fund III	54,170	54,170
Notes receivables	145,257	378,942
	<u>566,529</u>	<u>804,695</u>

FVTOCI is made up of:

	The Group	
	31/03/2019 RMB'000	31/12/2018 RMB'000
Unquoted equity shares	382,280	384,259
Quoted equity shares	38,992	41,494
Notes receivable	145,257	378,942
	<u>566,529</u>	<u>804,695</u>
Analysed as:		
-Current	145,257	378,942
-Non-current	421,272	425,753
	<u>566,529</u>	<u>804,695</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	
	31/03/2019 RMB'000	31/12/2018 RMB'000
Trade payables to third parties	981,008	699,121
Letters of credit	844,184	486,835
VAT and other taxes payable	7,687	122,560
Payable to contractors for construction-in-progress	42,250	56,656
Advances from customers ⁽¹⁾	1,381,575	1,246,495
Other accrual for operating expenses	2,691	4,913
Accrual for staff cost	42,249	49,407
Due to directors (non-trade)	2,808	2,363
Deferred government grant	90,731	91,966
Compensation from PGLC ⁽²⁾	272,000	239,470
Deposit from customers	22,044	22,047
Other payables	120,570	113,658
	<u>3,809,797</u>	<u>3,135,491</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, 4 April 2018, 29 June 2018 and 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 31/03/2019	As at 31/12/2018
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
627,563	1,255,300	577,560	1,354,300

Amount repayable after one year

As at 31/03/2019	As at 31/12/2018
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,360,514	4,966	720,474	4,966

Details of any collateral

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

As at 31 March 2019, the Group's bank borrowings of approximately RMB3,456.2 million (2018: RMB2,786.8 million) were guaranteed by third parties. The Group has also provided guarantees to banks for borrowings of third parties amounted to approximately RMB255.8 million (2018: RMB255.8 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	
	31/03/2019 RMB '000	31/03/2018 RMB'000
Cash flows from operating activities:		
Profit after income tax	151,020	280,777
Adjustments for:		
Income tax expense	32,102	48,819
Depreciation	58,208	53,034
Loss on disposal of property, plant and equipment	162	849
Loss on disposal of financial assets at FVTPL	23	-
Fair value (gain) loss on financial assets at FVTPL	(806)	303
Share of loss of an associate	98	128
Share of loss of a joint venture	2,436	269
Interest income	(40,220)	(30,966)
Interest expense	82,184	29,589
Unrealised currency translation gain	(27,833)	(3,437)
	106,354	98,588
Operating cash flow before working capital changes	257,374	379,365
Receivables	(67,527)	190,860
Inventories	(188,660)	(66,133)
Payables	674,306	194,925
	418,119	319,652
Cash generated from operating activities	675,493	699,017
Income tax paid	(102,208)	(127,367)
Net cash generated from operating activities	573,285	571,650
Cash flows from investing activities:		
Payments for property, plant and equipment (“PPE”)	(440,919)	(114,258)
Purchase of unquoted equity shares	(1,974)	(16,548)
Proceeds (purchase) of disposal on financial assets at FVTPL	1,685,802	(234,182)
Proceeds of disposal on other financial assets at amortised costs	-	30,219
Loan to a joint venture	(201,203)	-
Interest received	40,220	30,966
Net cash from (used in) investing activities	1,081,926	(303,803)
Cash flows from financing activities:		
Bank balances pledged	(580,059)	(503,678)
Proceeds from borrowings	2,382,878	455,000
Repayment of borrowings (including notes payables)	(571,012)	(780,740)
Interest paid	(82,184)	(29,589)
Net cash from (used in) financing activities	1,149,623	(859,007)
Net increase (decrease) in cash and cash equivalents	2,804,834	(591,160)
Cash and cash equivalents at beginning of the period	2,766,631	2,135,871
Cash and cash equivalents at end of the period	5,571,465	1,544,711

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	Non- controlling interest RMB '000	Total RMB '000
Balance as at 1 January 2019	406,644	261,613	(58,849)	53,497	141,072	5,274,866	8,769	6,087,612
Total comprehensive income (loss) for the period	-	-	2,019	(26,232)	-	151,072	(52)	126,807
Balance as at 31 March 2019	<u>406,644</u>	<u>261,613</u>	<u>(56,830)</u>	<u>27,265</u>	<u>141,072</u>	<u>5,425,938</u>	<u>8,717</u>	<u>6,214,419</u>

<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	<u>406,644</u>	<u>261,613</u>	<u>(124,113)</u>	<u>7,714</u>	<u>141,072</u>	<u>4,157,605</u>	<u>4,850,535</u>

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 2019	2,112,480	249,218	697,215	3,058,913
Total comprehensive loss for the period	-	-	(4,676)	(4,676)
Balance as at 31 March 2019	2,112,480	249,218	697,215	3,054,237

<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

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	31/03/2019	31/03/2018
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 2019.

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 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	
	31/03/2019	31/03/2018
	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	151,072	280,777
Basic earnings per share (in RMB)	1.37	2.55
Diluted earnings per share (in RMB)	1.37	2.55

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	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Net Asset Value per share (RMB)	56.32	55.17	27.72	27.76

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**

1Q2019 vs 1Q2018

Revenue

Group revenue increased by RMB503.3 million or 17.1% from RMB2,950.0 million in 1Q2018 to RMB3,453.3 million in 1Q2019. The increase in revenue was principally attributed to an increase in the volume of hot rolled coil (“HRC”) sold amid growing demand from the construction and infrastructure sectors, despite a decrease in average selling prices.

In 1Q2019, the Group sold 941,316 tonnes of HRC, compared to 817,663 tonnes of HRC in 1Q2018. Overall sales quantity increased by 123,653 tonnes or 15.1%.

Cost of sales

Total cost of sales increased by RMB598.6 million or 23.9%, from RMB2,509.4 million in 1Q2018 to RMB3,108.0 million in 1Q2019. The increase was primarily due to higher volume of products sold as mentioned above, as well as increased raw material prices (i.e., coke, coal and steel scrap) for production, compared to the corresponding period.

Gross profit

Gross profit decreased by RMB95.3 million, from RMB440.6 million in 1Q2018 to RMB345.3 million in 1Q2019.

Gross profit margin decreased by 4.9 percentage points from 14.9% in 1Q2018 to 10.0% in 1Q2019. The decrease was primarily due to the decrease in average selling prices of products sold, coupled with higher cost of sales per tonne.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB8.4 million, from RMB6.9 million in 1Q2018, to RMB15.3 million in 1Q2019. This was mainly due to an increase in transportation costs associated with the delivery of products to customers of Xingtai Delong Machinery and Mill Roll Co., Ltd (the “Mill Roll”) and expenses incurred in relation to the customer sourcing for Mill Roll. The increase is in line with the higher sales volume recorded in Mill Roll.

Administrative expenses

Administrative expenses increased by RMB7.9 million, from RMB99.1 million in 1Q2018 to RMB107.0 million in 1Q2019, primarily due to higher headcounts in Xingtai Degui Nano Material Technology Limited (“Degui Nano”), the Group’s newly set up 80% owned subsidiary in the PRC. The increase was also due to an overall increase in staff costs for the financial year ending 2019.

Finance expenses

Finance expenses increased by RMB52.6 million from RMB29.6 million in 1Q2018 to RMB82.2 million in 1Q2019, primarily due to an increase in bank borrowings (including notes payable) drawdown for working capital purposes.

Net profit

As a result of the above, the Group reported a net profit of RMB151.0 million in 1Q2019, compared to RMB280.8 million in 1Q2018. The net profit margin was 4.4% in 1Q2019, compared to 9.5% in 1Q2018.

(b) Review of balance sheet of the Group as at 31 March 2019

Current assets

Current assets increased by RMB1,967.3 million, from RMB8,933.7 million as at 31 December 2018 to RMB10,901.0 million as at 31 March 2019, primarily due to the increase in cash and cash equivalents generated from operating activities and proceeds from the disposal of FVTPL.

Current liabilities

Current liabilities increased by RMB1,776.0 million, from RMB6,316.3 million as at 31 December 2018 to RMB8,092.3 million as at 31 March 2019, primarily due to higher utilization in notes payables during the period under review. The Company has also increasingly utilised its letters of credit facilities to finance its purchase of raw materials.

Working capital

The working capital position improved by RMB191.3 million, from RMB2,617.4 million as at 31 December 2018 to RMB2,808.7 million as at 31 March 2019.

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 RMB394.9 million, from RMB2,743.9 million as at 31 December 2018 to RMB3,138.8 million as at 31 March 2019, 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 RMB640.1 million, from RMB748.3 million as at 31 December 2018 to RMB1,388.4 million as at 31 March 2019, 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
1Q2019 vs 1Q2018

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by RMB122.0 million, from RMB379.4 million in 1Q2018 to RMB257.4 million in 1Q2019, primarily due to the decrease in operating profit. Cash from operating activities increased by RMB1.6 million from RMB571.7 million in 1Q2018 to RMB573.3 million in 1Q2019, attributable mainly to better working capital management during the period under review.

Net Cash From Investing Activities

Net cash from investing activities was RMB1,081.9 million in 1Q2019. This was mainly attributable to the proceeds from the disposal of financial assets at FVTPL of RMB1,685.8 million and interest received from the banks.

The increase was partially offset by progress payments for on-going technological and environmental enhancement programmes to the production facilities in the PRC. The Group has also advanced an aggregate sum of RMB201.2 million to P.T. Dexin Steel Indonesia-a 45%-owned joint-venture company, during the period under review.

Net Cash From Financing Activities

Net cash from financing activities was RMB1,149.6 million in 1Q2019. This was mainly attributable to the drawdown of bank borrowings (net off against bank balances pledged) of RMB1,802.8 million for working capital, loan principal and interest repayments of RMB653.2 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Company had issued a profit guidance on 2 May 2019 that the Company would report a lower net profit for 1Q2019, compared to previous corresponding period.

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

China's GDP grew by a stable 6.4% in the first quarter of 2019, lifted by strong manufacturing production and greater domestic consumer spending, while market watchers expect the ongoing trade war with the United States and the government's efforts to rein in risky lending may continue to weigh on overall growth.

For the steel industry, the risk of oversupply remains a core concern as steel production climbed almost 10% year-on-year to 231 million tonnes for the January to March quarter, with the higher production levels backed by expectations of improving steel demand driven by stable levels of investment infrastructure and real estate, as well as rising manufacturing activity. However, the overall business environment for steel players has remained challenging, as authorities push forward with efforts to curb 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 continues unabated. With the purpose of 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 is not able to rule out 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.

The Group's 45%-owned joint-venture (JV) steel project in Indonesia remains on track to be operational by end-June 2019.

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.

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 2019.

13. Interested person transactions

There was no interested party transaction for the financial period ended 31 March 2019.

**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 Liguo
Executive Chairman