



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 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 second quarter ended 30 June 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
26 July 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.**

	Note	The Group					
		2 nd Quarter Ended		Increase (Decrease) %	Half Year Ended		Increase (Decrease) %
		30/06/2019 RMB'000	30/06/2018 RMB'000		30/06/2019 RMB'000	30/06/2018 RMB'000	
Sales		3,454,820	3,760,950	(8.1)	6,908,151	6,710,943	2.9
Cost of sales		(2,994,792)	(3,096,178)	(3.3)	(6,102,825)	(5,605,590)	8.9
Gross Profit		460,028	664,772	(30.8)	805,326	1,105,353	(27.1)
Other income	1	50,343	32,125	56.7	90,817	63,356	43.3
Other gains (losses)-net	2	37,381	(18,598)	n.m	41,745	(24,842)	n.m
Expenses							
-Distribution and marketing		(8,541)	(5,859)	45.8	(23,845)	(12,734)	87.3
-Administrative		(109,889)	(84,737)	29.7	(216,881)	(183,848)	18.0
-Finance		(63,972)	(26,422)	142.1	(146,156)	(56,011)	160.9
Share of loss of an associate ¹		(225)	(132)	70.5	(323)	(260)	24.2
Share of loss of a joint venture ²		(7,201)	(1,236)	482.6	(9,637)	(1,505)	540.3
Profit before tax	3	357,924	559,913	(36.1)	541,046	889,509	(39.2)
Income tax expense	4	(57,662)	(75,593)	(23.7)	(89,764)	(124,412)	(27.8)
Net Profit		300,262	484,320	(38.0)	451,282	765,097	(41.0)
Profit attributable to:							
Equity holders of the Company		299,617	484,320	(38.1)	450,689	765,097	(41.1)
Non-controlling interest		645	-	n.m	593	-	n.m
		300,262	484,320	(38.0)	451,282	765,097	(41.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit	300,262	484,320	(38.0)	451,282	765,097	(41.0)
Other comprehensive income:						
Financial asset at FVTOCI						
-Fair value gain	2,813	10,550	(73.3)	4,832	4,973	(2.8)
Currency translation differences	22,784	18,755	21.5	(3,448)	15,292	(122.5)
Other comprehensive income for the period, net of tax	25,597	29,305	(12.7)	1,384	20,265	(93.2)
Total comprehensive income	325,859	513,625	(36.6)	452,666	785,362	(42.4)
Total comprehensive income attributable to:						
Equity holders of the Company	325,214	513,625	(36.7)	452,073	785,362	(42.4)
Non-controlling interest	645	-	n.m	593	-	n.m
	325,859	513,625	(36.6)	452,666	785,362	(42.4)

nm-not meaningful

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

² This refers to PT Dexin Steel Indonesia

Notes:-

1 Other income

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant ^(a)	-	250	-	250
Finance lease income	808	1,407	1,062	1,672
Interest income ^(b)	49,535	30,468	89,755	61,434
	<u>50,343</u>	<u>32,125</u>	<u>90,817</u>	<u>63,356</u>

Note:

- ^(a) Government grant received in recognition of the Group's technological improvement and energy-saving emission reduction projects in the PRC.
- ^(b) Interest earned on bank deposits, financial assets at amortised costs, financial assets at fair value through profit or loss ("FVTPL") and financial assets at fair value through other comprehensive income ("FVTOCI").

2 Other gains (losses) -net

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Currency translation gains (losses) –net ⁽¹⁾	5,455	11,474	2,836	(807)
Fair value gain on FVTPL	356	363	1,162	60
Loss on disposal of FVTPL	-	-	(23)	-
(Loss) gain on disposal of property, plant and equipment ("PPE")	(957)	13	(1,119)	(836)
Impairment charges on PPE	-	(34,616)	-	(34,616)
Others ⁽²⁾	32,527	4,168	38,889	11,357
	<u>37,381</u>	<u>(18,598)</u>	<u>41,745</u>	<u>(24,842)</u>

Notes:

- ⁽¹⁾ The currency translation gains was mainly due to the revaluation of bank balances and intercompany balances denominated in USD and SGD which strengthened against RMB for the financial period ended 30 June 2019 ("2Q2019") and the first half of 2019 ("1H2019").
- ⁽²⁾ Others comprised of sale of gas, oxygen, electricity.

3. Profit before tax includes the following items:-

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation ^(a)	65,894	53,772	124,102	106,806
Staff costs ^(b)	196,146	134,235	315,859	233,456
Operating lease rental	105	85	193	171

Notes:

- ^(a) The increase in depreciation in 2Q2019 and 1H2019 was mainly due to an increase in capital expenditure.

(b) The increase in staff costs was mainly due to higher headcounts and payroll related expenses in 2Q2019 and 1H2019 as compared to previous corresponding period.

4. Income Tax Expense

	The Group			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense is made up of:				
Provision on the profit for the financial year				
Current income tax				
-Foreign	57,662	75,488	89,766	124,266
-Singapore	-	105	-	146
Adjustments in respect of the preceding financial years				
-Current income tax	-	-	(2)	-
	<u>57,662</u>	<u>75,593</u>	<u>89,764</u>	<u>124,412</u>

Note:-

The effective tax rate for 2Q2019 and 1H2019 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 30/06/2019	As at 31/12/2018	As at 30/06/2019	As at 31/12/2018
Current assets					
Cash and cash equivalents		1,652,620	2,766,631	2,926	5,138
Bank balances pledged		2,213,535	2,180,629	-	-
Financial assets at fair value through profit or loss (“FVTPL”)	1	4,454,017	1,863,654	-	-
Other financial assets at amortised cost	2	572,624	550,000	-	-
Trade receivables	3	354,192	193,380	1,045,589	1,050,180
Inventories	4	740,409	607,656	-	-
Non-current assets held for sale	5	67,672	67,672	-	-
Other assets	6	697,107	325,114	427	126
Financial assets at fair value through other comprehensive income (“FVTOCI”)	7	89,792	378,942	-	-
Total current assets		10,841,968	8,933,678	1,048,942	1,055,444
Non-current assets					
Other assets	6	791,302	572,762	-	-
Financial assets at fair value through other comprehensive income (“FVTOCI”)	7	515,276	425,753	-	-
Investments in subsidiaries		-	-	2,010,492	2,010,492
Investment in an associate	8	2,461	2,784	-	-
Investment in a joint venture	9	447,894	458,447	-	-
Property, plant and equipment		3,190,314	2,743,925	17	13
Deferred tax assets		12,063	14,886	-	-
Total non-current assets		4,959,310	4,218,557	2,010,509	2,010,505
Total assets		15,801,278	13,152,235	3,059,451	3,065,949
Current liabilities					
Trade and other payables	10	3,714,748	3,135,491	3,830	7,014
Notes payables		2,032,888	1,022,442	-	-
Borrowings		1,936,903	1,931,860	13	10
Income tax liabilities		143,092	226,501	-	-
Total current liabilities		7,827,631	6,316,294	3,843	7,024
Non-current liabilities					
Borrowings		1,410,480	725,440	50	12
Deferred income tax liabilities		22,889	22,889	-	-
Total non-current liabilities		1,433,369	748,329	50	12
Total liabilities		9,261,000	7,064,623	3,893	7,036
Net Assets		6,540,278	6,087,612	3,055,558	3,058,913
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		6,124,272	5,672,199	943,078	946,433
Equity attributable to owners of the Company		6,530,916	6,078,843	3,055,558	3,058,913
Non-controlling interests		9,362	8,769	-	-
Total equity		6,540,278	6,087,612	3,055,558	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 2.5% per annum.

2. Financial assets at amortised cost

	The Group	
	30/06/2019 RMB'000	31/12/2018 RMB'000
Bohai International Trust Co., Ltd	570,146	550,000
Rural Commercial Bank Co., Ltd	2,478	-
	<u>572,624</u>	<u>550,000</u>

The interest rate of financial assets at amortised cost ranges from 2.9% to 7.5% per annum.

3. Trade receivables - current

	The Group	
	30/06/2019 RMB'000	31/12/2018 RMB'000
Trade receivables ⁽¹⁾	<u>354,192</u>	<u>193,380</u>

⁽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 1H2019.

4. Inventories

	The Group	
	30/06/2019 RMB'000	31/12/2018 RMB'000
Raw materials	478,486	358,690
Work-in-progress	167,717	53,550
Finished goods	70,227	44,665
Production supplies	<u>23,979</u>	<u>150,751</u>
	<u>740,409</u>	<u>607,656</u>

The increase in inventories was primarily due to higher raw materials prices in 1H2019.

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

6. Other assets

	The Group	
	30/06/2019 RMB'000	31/12/2018 RMB'000
Deposits for offices	675	587
Prepayments ^(a)	357,724	187,638
Entrusted loan to third party ^(b)	177,741	-
VAT and tax recoverable	2,785	28,128
Loans to PT Dexin Steel Indonesia ^(c)	791,302	572,762
Interest receivables	31,432	22,275
Others	126,750	86,486
	<u>1,488,409</u>	<u>897,876</u>
Analysed as:		
-Current	697,107	325,114
-Non-current	791,302	572,762
	<u>1,488,409</u>	<u>897,876</u>

Notes:

- (a) Prepayments relate to advance payments made to suppliers for the purchase of raw materials.
- (b) The loan was unsecured, bears interest rate of 7.5 % per annum.
- (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 ("FVTOCI")

	The Group	
	30/06/2019 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	38,162	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	88,364	88,459
Shunwei Technology Equity Investment L.P	41,247	41,247
Tai You Fund I, LP	6,869	6,880
LDV Partners Fund I, LP	9,006	9,020
Ocean Imagination LP	40,423	38,453
Alpha Global Investment LP	67,213	46,683
MicuRx Pharmaceutical Inc	15,476	15,501
Xin Yi Tai Fund Management LP	15,000	9,000
Tibet Boren Yutai Investment Centre LP	3,000	3,000
Citic Private Equity RMB Fund III	69,170	54,170
Rural Commercial Bank Co., Ltd	49,500	-
Notes receivable	89,792	378,942
	<u>605,068</u>	<u>804,695</u>

FVTOCI is made up of:

	The Group	
	30/06/2019 RMB'000	31/12/2018 RMB'000
Unquoted equity shares	477,114	384,259
Quoted equity shares	38,162	41,494
Notes receivable	89,792	378,942
	<u>605,068</u>	<u>804,695</u>
Analysed as:		
-Current	89,792	378,942
-Non-current	515,276	425,753
	<u>605,068</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	
	30/06/2019 RMB'000	31/12/2018 RMB'000
Trade payables to third parties	1,083,192	699,121
Letters of credit	487,721	486,835
VAT and other taxes payable	22,914	122,560
Payable to contractors for construction-in-progress	36,942	56,656
Advances from customers ⁽¹⁾	1,399,735	1,246,495
Other accrual for operating expenses	1,841	4,913
Accrual for staff cost	48,201	49,407
Due to directors (non-trade)	2,141	2,363
Deferred government grant	88,947	91,966
Compensation from PGLC ⁽²⁾	312,000	239,470
Deposit from customers	21,387	22,047
Other payables	209,727	113,658
	<u>3,714,748</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, 18 January 2019 and 9 July 2019 for further 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 30/06/2019	As at 31/12/2018
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,235,003	701,900	577,560	1,354,300

Amount repayable after one year

As at 30/06/2019	As at 31/12/2018
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,405,514	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 30 June 2019, the Group's bank borrowings of approximately RMB3,533.0 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			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB '000	RMB '000	RMB '000	RMB '000
Cash flows from operating activities:				
Profit after income tax	300,262	484,320	451,282	765,097
Adjustments for:				
Depreciation	65,894	53,772	124,102	106,806
Impairment loss for property, plant and equipment	-	34,616	-	34,616
Loss (gain) on disposal of property, plant and equipment	957	(13)	1,119	836
Loss on disposal of financial assets at FVTPL	-	-	23	-
Fair value gain on financial assets at FVTPL	(356)	(363)	(1,162)	(60)
Share of loss of an associate company	225	132	323	260
Share of loss of a joint venture	7,201	1,236	9,637	1,505
Interest income	(49,535)	(30,468)	(89,755)	(61,434)
Interest expense	63,972	26,422	146,156	56,011
Income tax expense	57,662	75,593	89,764	124,412
Unrealised currency translation loss (gain)	302	17,826	(27,531)	14,390
	146,322	178,753	252,676	277,342
Operating cash flow before working capital changes	446,584	663,073	703,958	1,042,439
Receivables	(181,806)	(1,051)	(249,333)	189,809
Inventories	55,907	80,083	(132,753)	13,950
Payables	(95,049)	(91,996)	579,257	102,929
	(220,948)	(12,964)	197,171	306,688
Cash provided by operating activities	225,636	650,109	901,129	1,349,127
Income tax paid	(70,965)	(85,345)	(173,173)	(212,712)
Net cash provided by operating activities	154,671	564,764	727,956	1,136,415
Cash flows from investing activities:				
Payments for property, plant and equipment (“PPE”)	(105,690)	(223,417)	(546,609)	(337,676)
Purchase of unquoted equity shares	(74,216)	(106,147)	(76,190)	(122,695)
(Purchase) proceeds of financial assets at FVTPL	(4,275,026)	167,377	(2,589,224)	(66,805)
(Purchase) proceeds from disposal of financial assets at amortised cost	(22,624)	(334)	(22,624)	29,885
Interest received	49,535	30,468	89,755	61,434
Loan to joint venture	(17,337)	-	(218,540)	-
Capital contribution by non-controlling interest	-	10,000	-	10,000
Net cash used in investing activities	(4,445,358)	(122,053)	(3,363,432)	(425,857)
Cash flows from financing activities:				
Bank balances pledged	547,153	(493,010)	(32,906)	(996,688)
Proceeds from borrowings	871,611	1,322,940	3,254,489	1,777,940
Repayment of borrowings (including notes payables)	(982,950)	(993,323)	(1,553,962)	(1,774,063)
Interest paid	(63,972)	(26,422)	(146,156)	(56,011)
Net cash provided by (used in) by financing activities	371,842	(189,815)	1,521,465	(1,048,822)
Net (decrease) increase in cash and cash equivalents	(3,918,845)	252,896	(1,114,011)	(338,264)
Cash and cash equivalents at beginning of the period	5,571,465	1,544,711	2,766,631	2,135,871
Cash and cash equivalents at end of the period	1,652,620	1,797,607	1,652,620	1,797,607

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 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	406,644	261,613	(56,830)	27,265	141,072	5,425,938	8,717	6,214,419
Total comprehensive income for the period	-	-	2,813	22,784	-	299,617	645	325,859
Balance as at 30 June 2019	406,644	261,613	(54,017)	50,049	141,072	5,725,555	9,362	6,540,278

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

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	692,539	3,054,237
Total comprehensive income for the period	-	-	1,321	1,321
Balance as at 30 June 2019	2,112,480	249,218	693,860	3,055,558

<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

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 2nd Quarter Ended	30/06/2019	30/06/2018
Number of ordinary shares as at 1 April	110,182,709	110,182,709
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 30 June	110,182,709	110,182,709

There were no outstanding convertibles as at 30 June 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			
	2 nd Quarter Ended		Half Year Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	299,617	484,320	450,689	765,097
Basic earnings per share (in RMB)	2.72	4.40	4.09	6.94
Diluted earnings per share (in RMB)	2.72	4.40	4.09	6.94

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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Net Asset Value per share (RMB)	59.27	55.17	27.73	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) **Financial Review for the second quarter and six months ended 30 June 2019**

2Q2019 vs 2Q2018

Revenue

Group revenue decreased by RMB306.2 million or 8.1% from RMB3,761.0 million in 2Q2018 to RMB3,454.8 million in 2Q2019. The decrease in revenue was principally attributed to a decrease in the average selling price of hot rolled coil (“HRC”) in 2Q2019, despite an increase in the volume of HRC sold.

In 2Q2019, the Group sold 1,058,268 tonnes of HRC as compared to 1,029,544 tonnes of HRC and 6,456 tonnes of steel billets in 2Q2018. Overall sales quantity increased by 22,268 tonnes or 2.1%.

Cost of sales

Total cost of sales decreased by RMB101.4 million or 3.3%, from RMB3,096.2 million in 2Q2018 to RMB2,994.8 million in 2Q2019, primarily due to the RMB66.0 million provision for staff bonus provided in 2Q2018. The decrease also due to the reversal of repair and maintenance expenses overprovided in 1Q2019.

Gross profit

Gross profit decreased by RMB204.8 million or 30.8%, from RMB664.8 million in 2Q2018 to RMB460.0 million in 2Q2019.

Gross profit margin decreased by 4.4 percentage points from 17.7% in 2Q2018 to 13.3% in 2Q2019. The decrease was primarily due to the decrease in average selling prices of products sold, which significantly outpaced the decrease in production cost per tonne during the period under review .

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB2.6 million, from RMB5.9 million in 2Q2018, to RMB8.5 million in 2Q2019. 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 the Mill Roll. The increase is in line with the higher sales volume recorded in Mill Roll.

Administrative expenses

Administrative expenses increased by RMB25.2 million, from RMB84.7 million in 2Q2018 to RMB109.9 million in 2Q2019, primarily due to an increase in research and development expenses incurred on products development as well as higher headcounts in Xingtai Degui Nano Material Technology Limited (“Degui Nano”), the Group’s newly set up 80% owned subsidiary in the PRC.

Finance expenses

Finance expenses increased by RMB37.6 million, from RMB26.4 million in 2Q2018 to RMB64.0 million in 2Q2019. The increase was primarily due to an increase in bank borrowings (including notes payable) as well as higher bill discounting charges during the period under review.

Net profit

As a result of the above, the Group reported a net profit of RMB300.3 million in 2Q2019, compared to RMB484.3 million in 2Q2018. The net profit margin was 8.7% and 12.9% in 2Q2019 and 2Q2018, respectively.

1H2019 vs 1H2018

Revenue

Group revenue increased by RMB197.3 million or 2.9%, from RMB6,710.9 million in 1H2018, to RMB6,908.2 million in 1H2019. 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 price.

In 1H2019, the Group sold 1,999,584 tonnes of HRC as compared to 1,847,208 tonnes of HRC and 6,456 tonnes of steel billets in 1H2018. Overall sales quantity increased by 145,920 tonnes or 7.9%.

Cost of sales

Total cost of sales increased by RMB497.2 million or 8.9%, from RMB5,605.6 million in 1H2018 to RMB6,102.8 million in 1H2019. The increase was primarily due to higher volume of products sold as mentioned above, as well as higher raw material prices (i.e., coke, coal and steel scrap) for production, compared to the corresponding period.

Gross profit

Gross profit decreased by RMB300.1 million or 27.1%, from RMB1,105.4 million in 1H2018, to RMB805.3 million in 1H2019.

Gross profit margin decreased by 4.8 percentage points, from 16.5% in 1H2018 to 11.7% in 1H2019. 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 RMB11.1 million, from RMB12.7 million in 1H2018, to RMB23.8 million in 1H2019. 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 the Mill Roll. The increase is in line with the higher sales volume recorded in Mill Roll.

Administrative expenses

Administrative expenses increased by RMB33.1 million, from RMB183.8 million in 1H2018, to RMB216.9 million in 1H2019, primarily due to an increase in research and development expenses incurred on products development as well as 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 RMB90.2 million, from RMB56.0 million in 1H2018, to RMB146.2 million in 1H2019, primarily due to an increase in bank borrowings (including notes payable) as well as higher bill discounting charges during the period under review.

Net profit

As a result of the above, the Group reported a net profit of RMB451.3 million in 1H2019, compared to a net profit of RMB765.1 million in 1H2018. The net profit margin was 6.5% and 11.4% in 1H2019 and 1H2018, respectively.

Review of balance sheet of the Group as at 30 June 2019

Current assets

Current assets increased by RMB1,908.3 million, from RMB8,933.7 million as at 31 December 2018 to RMB10,842.0 million as at 30 June 2019, primarily due to the increase in FVTPL. The Group deploying part of its cash and cash equivalents (generated from operating activities and the drawdown of credit facilities) towards purchasing FVTPL during the period under review.

Current liabilities

Current liabilities increased by RMB1,511.3 million, from RMB6,316.3 million as at 31 December 2018 to RMB7,827.6 million as at 30 June 2019, primarily due to an overall increase in trade and other payables (including notes payables) during the period under review.

Working capital

The working capital position improved by RMB396.9 million, from RMB2,617.4 million as at 31 December 2018, to RMB3,014.3 million as at 30 June 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 RMB446.4 million, from RMB2,743.9 million as at 31 December 2018 to RMB3,190.3 million as at 30 June 2019, primarily due to the capital expenditure incurred for ongoing 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 RMB685.1 million, from RMB748.3 million as at 31 December 2018 to RMB1,433.4 million as at 30 June 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

2Q2019 vs 2Q2018

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by RMB216.5 million, from RMB663.1 million in 2Q2018 to RMB446.6 million in 2Q2019, primarily due to the decrease in operating profit. Net cash from operating activities decreased by RMB410.1 million from RMB564.8 million in 2Q2018 to RMB154.7 million in 2Q2019, attributable mainly to an overall increase in trade and other receivable (including advance payment to suppliers for the purchase of raw materials, loan to PT Dexin Steel Indonesia and entrusted loan to a third party) during the period under review.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB4,445.4 million in 2Q2019. This comprised principally the payment for the purchase of financial assets at FVTPL and the progress payments for on-going technical enhancements to the upgrade production facilities in the PRC

The decrease was partially offset by interest received from banks.

Net Cash Generated From Financing Activities

Net cash generated from financing activities was RMB371.8 million in 2Q2019. This was mainly attributable to the drawdown of bank borrowing (including bank balances pledged) of RMB1,418.8 million for working capital purposes, loan principal and interest repayments of RMB1,046.9 million.

1H2019 vs 1H2018

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes decreased by RMB338.4 million, from RMB1,042.4 million in 1H2018 to RMB704.0 million in 1H2019, primarily due to the decrease in operating profit. Net cash from operating activities decreased by RMB408.4 million from RMB1,136.4 million in 1H2018, to RMB728.0 million in 1H2019, attributable mainly to the overall increase in trade and other receivables, and inventories.

Net Cash Used In Investing Activities

Net cash used in investing activities was RMB3,363.4 million in 1H2019. This comprised principally the progress payments for the technical enhancements to the upgrade production facilities in the PRC, payments for the purchases of FVTPL, unquoted equity shares and other financial assets at amortised cost.

The Group has also advanced an aggregate sum of RMB218.5 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 RMB1,521.5 million in 1H2019. This was mainly attributable to the drawdown of bank borrowings (net off against bank balances pledged) of RMB3,221.6 million, loan principal and interest repayments of RMB1,700.1 million.

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

The Company is of the view that its financial results for 2Q2019 are in line with the commentary in the results announcement for the financial period ended 31 March 2019.

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 the National Bureau of Statistics, China's economic growth slowed to 6.2% in the second quarter of 2019, below the 6.4% reported in the preceding quarter. While this remains rangebound of China's target growth rate of 6.0% to 6.5%, market watchers expect the ongoing trade war with the United States may continue to pressure on China's economic growth.

The overall business environment for steel players remains highly uncertain, 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 does not discount the possibility that the implementation of 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.

In relation to the Group's 45%-owned joint-venture (JV) steel project in Indonesia, the Group expects the facility to be operational by end-October 2019 instead of end-June 2019 as previously anticipated. The delay is due to a shortage of steel-related skilled labour in Sulawesi Indonesia, as well as disruption in construction activities due to a recent earthquake in Sulawesi and the 2019 Indonesian general election.

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 second quarter 30 June 2019.

13. Interested person transactions

There was no interested party transaction for the financial period ended 30 June 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 Ligu
Executive Chairman