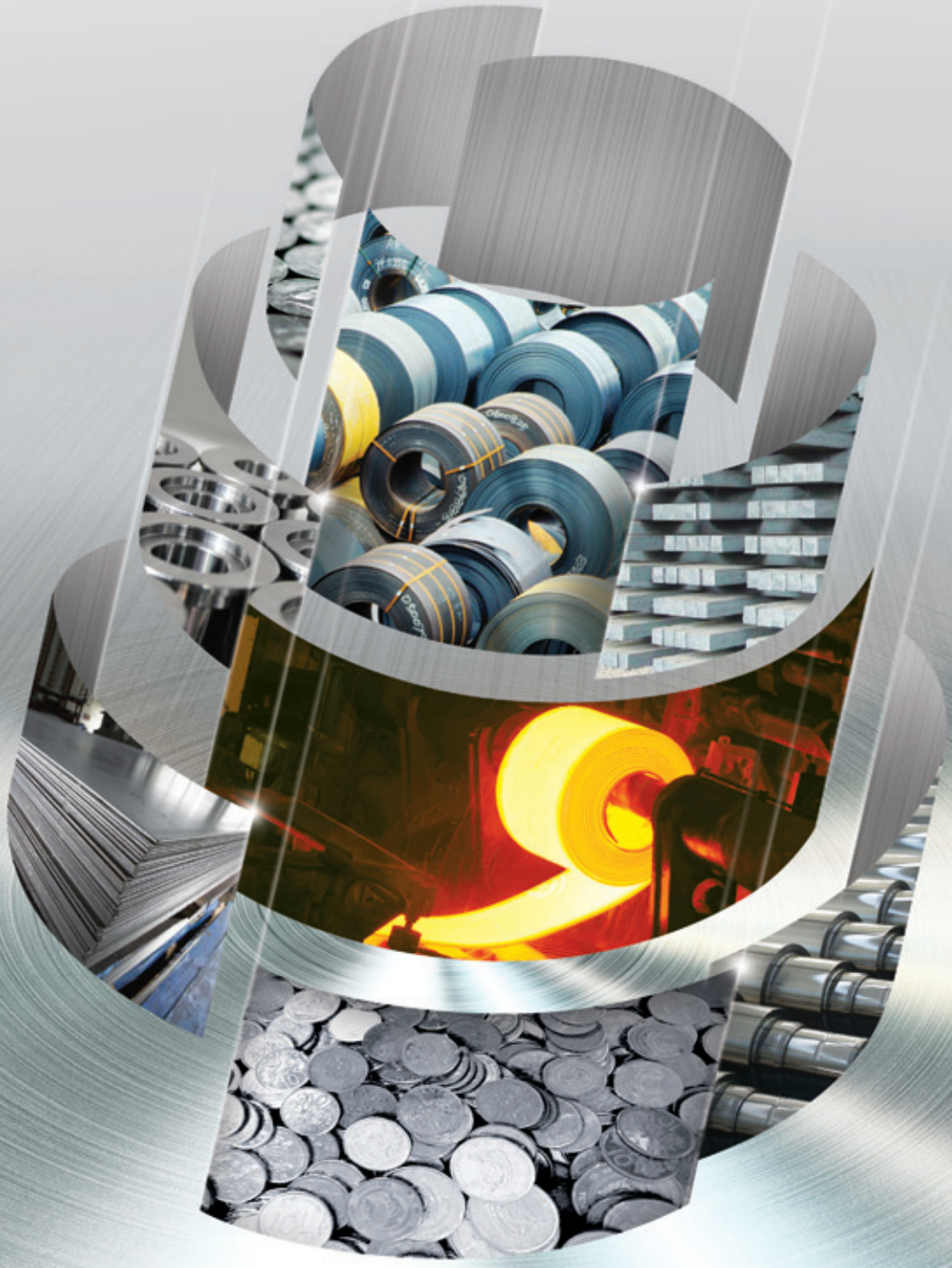
德龙控股

DELONG HOLDINGS

ANNUAL REPORT 2018



OUR VISION

Headquartered in Beijing, China, Delong Holdings Limited is a steel manufacturing group committed to playing its part in growing the Chinese steel industry through progressive thinking and sustainable practices.

We envision Delong as one of the leading steel companies in China, contributing strategically to the country's economic landscape and creating long-term value for our stakeholders.

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CHAIRMAN'S LETTER TO SHAREHOLDERS

> "Notwithstanding economic and operational volatility, the Group turned in a net profit after tax of RMB1.7 billion in FY2018, representing a net profit margin of 11.9%."

Dear Shareholders,

On behalf of the Board of Directors (the "Board") and Management of Delong Holdings Limited ("Delong" or the "Group"), I am pleased to present to you the annual report of the Group for the financial year ended 31 December 2018 ("FY2018").

A Look Back at FY2018

The operating landscape remained challenging in FY2018. Macro headwinds arising from global trade tensions, decelerating economic growth in the People's Republic of China (the "PRC") as well as the Chinese government's ongoing efforts to curtail steel production have continued to overshadow the growth in domestic steel demand.

During the year, Chinese authorities maintain its push for greater consolidation within the steel-making industry through initiatives such as eliminating obsolete capacity and smaller players. Within Hebei Province, where Delong's production facility is based, a three-year industry capacity reduction work plan for the period from 2018 to 2020 was introduced – 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. Market players also face mounting pressure to meet environmental compliances as local authorities roll out stricter environmental policies. For instance, in June 2018, the State Council had announced the banning of new steel, coke, and primary aluminium capacity in the Beijing-Tianjin-Hebei and Yangtze River Delta regions.

In spite of the challenges, our business operations, underpinned by Delong's strong fundamentals as a leading steel hot-rolled coil ("HRC") manufacturer, delivered a stable performance in FY2018.

Financial Review

FY2018 revenue was RMB14.3 billion, an increase of 11.3% from RMB12.8 billion a year ago ("FY2017"). This revenue growth was supported by an increase in average selling prices for the Group's steel products amid tighter supplies following production cuts and driven by infrastructure and construction activities in the PRC.

Total sales quantity for FY2018 was approximately 3.9 million tonnes, a marginal increase of 3,553 tonnes from a year ago. On a breakdown basis, 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.

Cost of sales in FY2018 rose 18.2% to RMB11.9 billion, from RMB10.1 billion in FY2017, largely due to an overall increase to the prices of raw materials such as coke,

coking coal and steel scrap. This in turn resulted in a lower gross profit of RMB2.3 billion in FY2018, 14.0% lower compared to RMB2.7 billion in FY2017. The Group's gross profit margin correspondingly decreased by 4.9 percentage points to 16.4% in FY2018, from 21.3% a year ago.

Distribution and marketing expenses narrowed by RMB54.5 million to RMB33.5 million during the year, from RMB88.0 million in FY2017. This was due mainly to a decrease in transportation costs following the cessation of operations at the Group's Aoyu Steel production facility since August 2017.

Administrative expenses increased to RMB402.7 million in FY2018, from RMB374.3 million a year ago, due mainly to an increase in research and development expenses incurred for product development, staff welfare as well as higher sewage and environmental impact assessment fees 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 increased by RMB10.1 million to RMB163.2 million in FY2018 compared to RMB153.1 million in FY2017, largely due to higher bank borrowings drawdown for working capital purposes and higher interest rates on bank borrowings in FY2018.

Accordingly, notwithstanding economic and operational volatility, the Group turned in a net profit after tax of RMB1.7 billion in FY2018, representing a net profit margin of 11.9%. This compares against a net profit after tax of RMB2.1 billion and net profit margin of 16.1% in FY2017.

Market Developments and Outlook

Moving into 2019, market watchers expect China's slowing economic growth and a softer outlook in the property, automobile and energy sectors to impact demand and prices for steel products. On the supply front, the China Iron and Steel Association has reported that China will continue unabated in its effort to reduce overcapacity and combat industrial pollution, with a view towards reducing domestic steel capacity to less than 1 billion tonnes by 2025. While the aforesaid measures have yet to impact Delong's existing operations, the Board and Management will keep a vigilant watch on market developments that may impact its operations and commercial viability.

Looking forward, even while industry conditions remain difficult, Delong will endeavour to navigate through challenges and deliver profitable outcomes for our valued shareholders. Our efforts in keeping abreast of market and regulatory developments, as well as continual investments into technological upgrades and enhancements have been central to the Group's performance.

As a leading steel producer, it is also Delong's strategy to explore and evaluate earnings-accretive business opportunities for the long-term benefit of our shareholders. Such efforts include our strategic expansion into the Indonesian market via a 45%-owned joint-venture steel project, which is expected to generate an additional stream of income for Delong when operational in June 2019.

To further diversify incomes streams, the Group is also looking to 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.

Appreciation

In closing, I would like to extend my sincere appreciations to my fellow Directors for their support, valuable inputs and wise counsel; the Management and Staff of Delong for their loyalty, dedication and contributions to the Group.

To our customers, suppliers and business associates, I would like to express my sincere appreciation for their continuing support. Finally, I would like to specially thank our shareholders for the continued support and belief in Delong despite the challenging business environment.

Thank you.

Ding Liguo

Executive Chairman and Chief Executive Officer

BOARD OF DIRECTORS

Mr Ding Liguo, age 49

Mr Ding is the Executive Chairman of the Company and is in charge of the overall management and direction of the Delong Group. From 1998 to 2003, Mr Ding was the Chairman of Tangshan Liguo Enterprise Group Co., Ltd and from 1992 to 1998, he was the Chairman of Tangshan Changcheng Rolled Steel Factory. Prior to that, Mr Ding was an employee with Shenzhen Futian District Materials Bureau from 1991 to 1992. Mr Ding received a diploma in Machinery Manufacturing from the Hebei Technological Institute in the People Republic of China ("PRC").

Mr Wu Yujie, age 56

Mr Wu is the Executive Director of the Company and is responsible for overseeing the operations of the Group. From 2015-2017, he was General Manager of Laiyuan County Aoyu Steel Co., Ltd . From 2011-2014, Mr Wu was General Manager of Xingtai Delong Machinery and Mill Roll Co., Ltd. Between 2007-2011, Mr Wu was General Manager of Tangshan Hengan Enterprises Co., Ltd. Between 2004-2006, Mr Wu was administration manager of Delong Steel Limited. Prior to that, Mr Wu was a deputy general manager in charge of administration with Xingtai Delong Iron & Steel Co., Ltd from 2000 to 2004 and the head of the finance department of Tangshan Liguo Enterprises Group Co., Ltd from 1998 to 2000. Mr Wu holds a diploma in economic management from the Hebei Economic Management College, PRC.

Mr Lai Hock Meng, age 63

Mr Lai is the lead Independent Director of the Company and Chairman of the Audit Committee. He is also a member of the Remuneration and Nominating Committees. He is also an independent director of PureCircle Ltd and a non-executive director of Champ Buyout III Pte Ltd, a private equity firm. Mr Lai has more than 36 years of experience in both public and private financial sectors, including central banking, investment banking, private banking, stockbroking and venture capital. Mr Lai has a Bachelor of Arts (Honours) and a Masters of Arts from the University of Cambridge in England, majoring in Economics. He is also a Chartered Financial Analyst with the CFA Institute in the USA.

BOARD OF DIRECTORS

Mr Wu Geng, age 47

Mr Wu is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 May 2017. He is the Chairman of our Nominating Committee and a member of our Audit Committee and Remuneration Committee. Mr Wu is also an independent director of Shengli Oil & Gas Pipe Holdings Limited (listed on the Stock Exchange of Hong Kong) and Sasseur Asset Management Pte Ltd (listed on SGX). Mr Wu has more than 18 years of experience in legal practice. He is currently a director of Drew & Napier LLC. Mr Wu graduated with an LLB from Peking University with a Master Degree from the Law Faculty of National University of Singapore and a second postgraduate degree from University of Delaware, USA.

Mr. Wang Tianyi, age 72

Mr Wang is an Independent Director of the Company and Chairman of Remuneration Committee. He is also a member of the Audit and Nominating Committees. He is currently the Executive Vice President of The Chinese Society For Metals. Mr. Wang has more than 40 years' experience in the steel industry. From 1995 to 2008, he was Chairman and Managing Director of Tangshan Iron and Steel Group Co., Ltd , placed in charge of the overall operations of the company. Between 2005 and 2011, Mr Wang was Vice-Chairman with Shougang Jingtang Iron and Steel Co., Ltd. Mr Wang was Vice-Chairman of Hebei Iron and Steel Group Co., Ltd from 2008 to 2011. Mr Wang received a Bachelor of Metallurgical Machinery from the University. of Science and Technology of Beijing (formerly known as Beijing Institute of Iron and Steel Engineering).

EXECUTIVE OFFICERS

Ms Lan Jihong is the Chief Financial Officer of the Company. She joined the Group in 2005 and is responsible for all of its financial and accounting matters. Prior to that, Ms Lan was a Finance Manager of BHA Aero Composite Parts Co., Ltd (China) between March 2003 and June 2005. From September 1999 to March 2003, Ms Lan was a Financial Controller of Magnequench (Tianjin) Co., Ltd (China). Between August 1996 and September 1999, she was an assistant Finance Manager with Fourth Shift Asia Computer Co., Ltd (China).

From August 1991 to March 1996, Ms Lan was an Accountant at Tianjin Automobile Corporation Co., Ltd (China). She received a Bachelor of Accountancy from the Tianjin Finance & Economic University, PRC in 1991. She had obtained a master's degree in Management form the Nankai University, PRC in 2005, and an Executive Master of Business Administrative degree from Peking University, PRC in 2011.

Ms Yeo Lee Luang is the Accounts Manager and Compliance Officer of the Company. She assists the Chief Financial Officer in the Group's finance and accounting functions, as well as ensures the Company's compliance with continuing listing obligations. Ms Yeo has been with the Company since April 2000.

She holds a Bachelor in Commerce majoring in Accountancy from the University of Otago, New Zealand, and is a member of the Institute of Singapore Chartered Accountants and Institute of New Zealand Chartered Accountants.

Mr Sun JianXun is the General Manager of Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll") and is responsible for overseeing the operations of Xingtai Delong Mill Roll. From 2013-2014, Mr Sun was Assistant General Manager of Xingtai Delong Mill Roll. Between 2000-2013, Mr. Sun was Assistant General Manager of Tangshan LianQiang Metallurgical Roll Co., Ltd. Mr. Sun holds a Bachelor Degree in Metallurgical from the Hebei Institute of Technology in the PRC.

Mr Liu Guoqi is the General Manager of Delong Steel Limited ("Delong Steel") and is responsible for overseeing the operations of Delong Steel. Mr Liu was Assistant General Manager of Delong Steel in 2017. From 2008-2016, Mr Liu was General Manager of Tangshan Delong Iron & Steel Co., Ltd. From 2007-2008, Mr Liu was General Manager of Shanghai Dexiang Co., Ltd

Mr Liu holds a master's degree in Business Management from Tianjin University of Finance and Economics in the PRC.

FINANCIAL HIGHLIGHTS

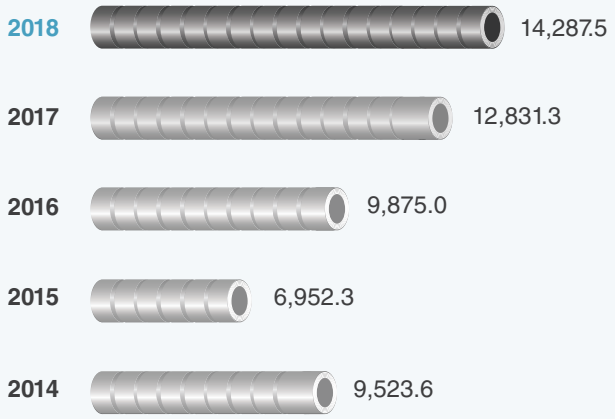
		FY2018	FY2017	FY2016	FY2015	FY2014
Profitability- measures ability to generate earnings						
Revenue	RMB'M	14,287.5	12,831.3	9,875.0	6,952.3	9,523.6
Profit/(loss) before tax	RMB'M	1,986.3	2,556.6	308.7	(423.1)	170.7
Proift/(loss) after tax	RMB'M	1,700.9	2,069.9	209.3	(431.3)	94.9
Profit/(loss) attributable to shareholders	RMB'M	1,702.7	2,069.9	213.0	(392.8)	100.9
EBITDA	RMB'M	2,371.9	3,033.0	1,604.6	194.6	861.5
Liquidity - measures ability to meet debt obligations						
Working capital	RMB'M	2,617.4	2,013.8	327.3	(1,073.8)	(323.6)
Operating cash flow	RMB'M	3,484.7	3,156.5	1,466.1	291.5	1,873.4
Free cash flow	RMB'M	847.6	2,305.9	721.6	(344.9)	1,321.5
Efficiency - measures efficiency of using fund and managing assets						
Total assets	RMB'M	13,152.2	9,926.0	7,875.5	7,829.9	8,228.1
Shareholders' funds	RMB'M	6,078.8	4,578.8	2,544 .4	2,293.8	2,683.9
Return on assets	%	12.9	20.9	2.7	-	1.2
Return on shareholders' funds	%	28.0	45.2	8.4	-	3.8
Debt leverage - measures capital employed and financial leverage						
Total borrowings	RMB'M	3,679.7	2,412.3	3,825.9	3,860.4	3,797.3
Net borrowings	RMB'M	(1,267.5)	(835.1)	1,287.2	2,143.7	1,539.6
Gross gearing	Times	0.60	0.53	1.50	1.64	1.36
Net gearing	Times	-	-	0.51	0.91	0.55
Shareholders' return - measures wealth creation for shareholders						
Earnings/(losses) per share	RMB	15.45	18.79	1.93	(3.57)	0.92
Net assets value per share	RMB	55.17	41.56	23.09	20.82	24.36

Definitions:

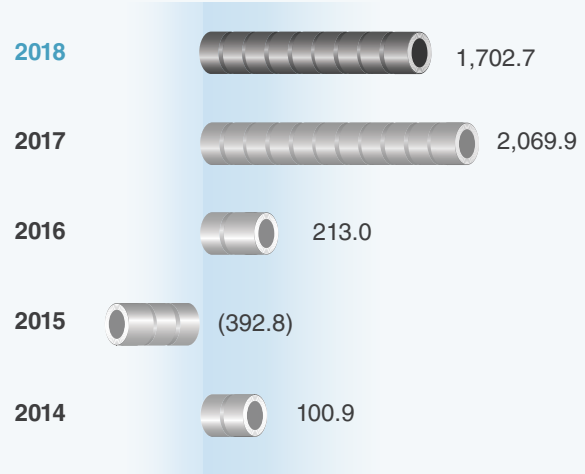
1. Free cash flow= operating cash flow + investing cash flow
2. Return on asset = profit after tax/total assets
3. Return on shareholders' funds = profit attributable to shareholders/shareholders' fund
4. Gross gearing = total borrowings(including notes payables)/total equity; Net gearing = net borrowings/total equity
5. Net borrowings= total borrowings - cash and cash equivalents and bank balances pledged

FINANCIAL HIGHLIGHTS

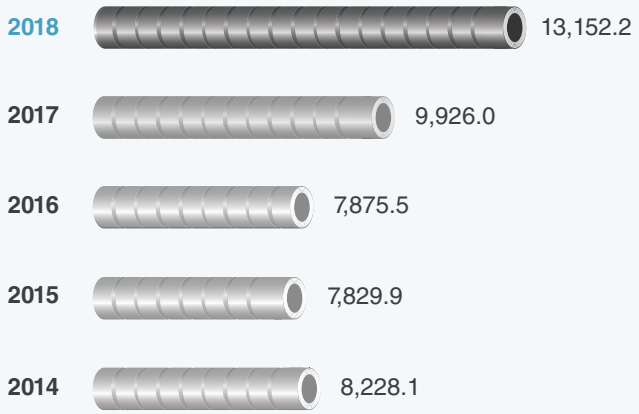
REVENUE
RMB'M



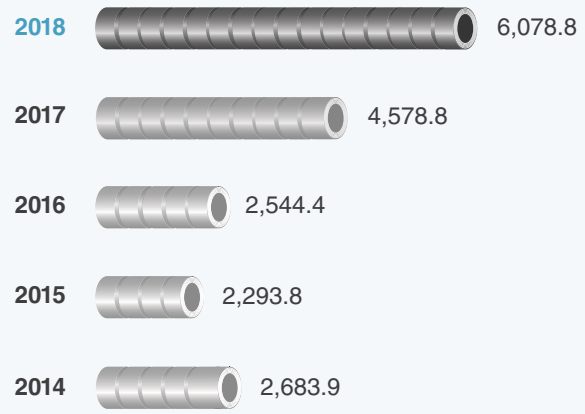
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS
RMB'M



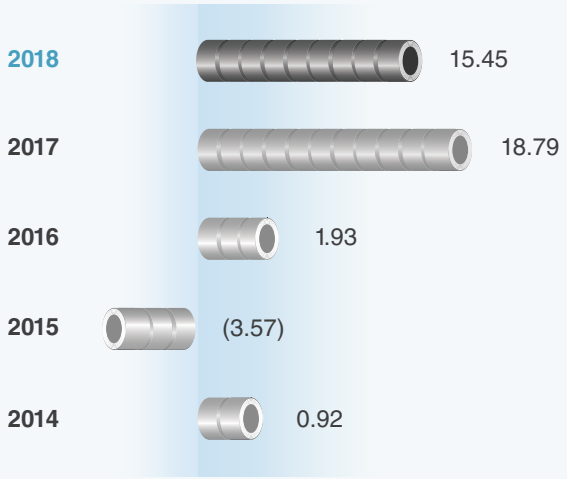
TOTAL ASSETS
RMB'M



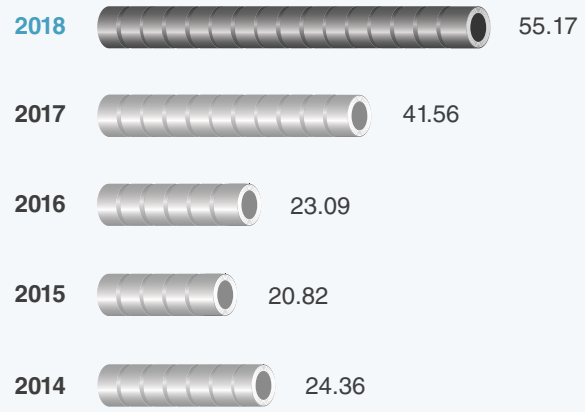
SHAREHOLDERS' FUNDS
RMB'M



EARNINGS/(LOSSES) PER SHARE
RMB



NET ASSETS VALUE PER SHARE
RMB



FINANCIAL HIGHLIGHTS

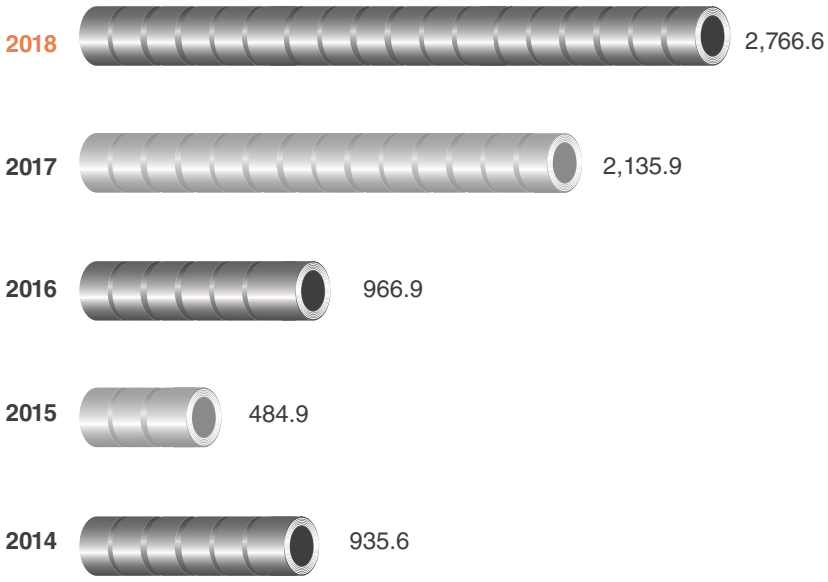
CASH FLOW AND LIQUIDITY

The Group maintains a strong balance sheet and an efficient capital structure to maximise returns for shareholders. The Group has sufficient cash and cash equivalent and an adequate amount of standby credit facilities. Funding of working capital requirements and capital expenditure is mainly through short term bank borrowings.

Overall, the Group's cash and cash equivalents increased by approximately RMB630.7 million in FY2018 to RMB2,766.6 million as compared to approximately RMB2,135.9 million.

CASH AND CASH EQUIVALENTS

RMB'M



The movements in cash and cash equivalents during both financial years are set out as follows:

The increase in the Group's net cash from operating activities in FY2018 was mainly due to better working capital management.

Net cash used in investing activities was primarily due to the increase in the investments in financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and payments for on-going technical enhancements to upgrade production facilities.

Net cash used in financing activities was RMB269.5 million, reflecting a net bank borrowing of RMB35.2 million and dividend payment of approximately RMB304.7 million.

	2018 RMB'000	2017 RMB'000
Net Cash from operating activities	3,484,725	3,156,527
Net Cash used in investing activities	(2,637,088)	(850,627)
Net Cash used in financing activities	(269,533)	(1,106,419)
Net increase in cash and cash equivalents	578,104	1,199,481
Cash and cash equivalents as at end of year	2,766,631	2,135,871

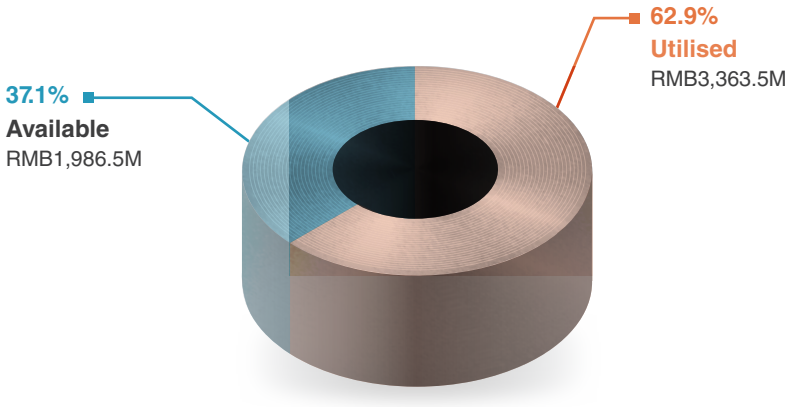
FINANCIAL HIGHLIGHTS

BORROWINGS

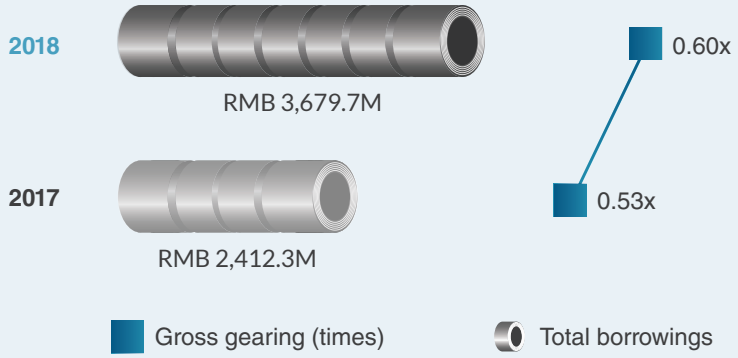
As at 31 December 2018, the Group had approximately RMB3,679.7 million of borrowings comprising notes payables of RMB1,022.4 million, short term borrowings of RMB1,931.9 million and long-term borrowings of RMB725.4 million. The Group's short and long-term borrowings were secured and guaranteed. The borrowings were obtained mainly for financing capital expenditures and working capital purposes.

As at 31 December 2018, there were corporate guarantees given by the Group to financial institutions for banking facilities extended to third parties amounting to approximately RMB255.8 million (FY2017: RMB295.1 million).

TOTAL CREDIT FACILITY
(RMB5,350.0 MILLION)

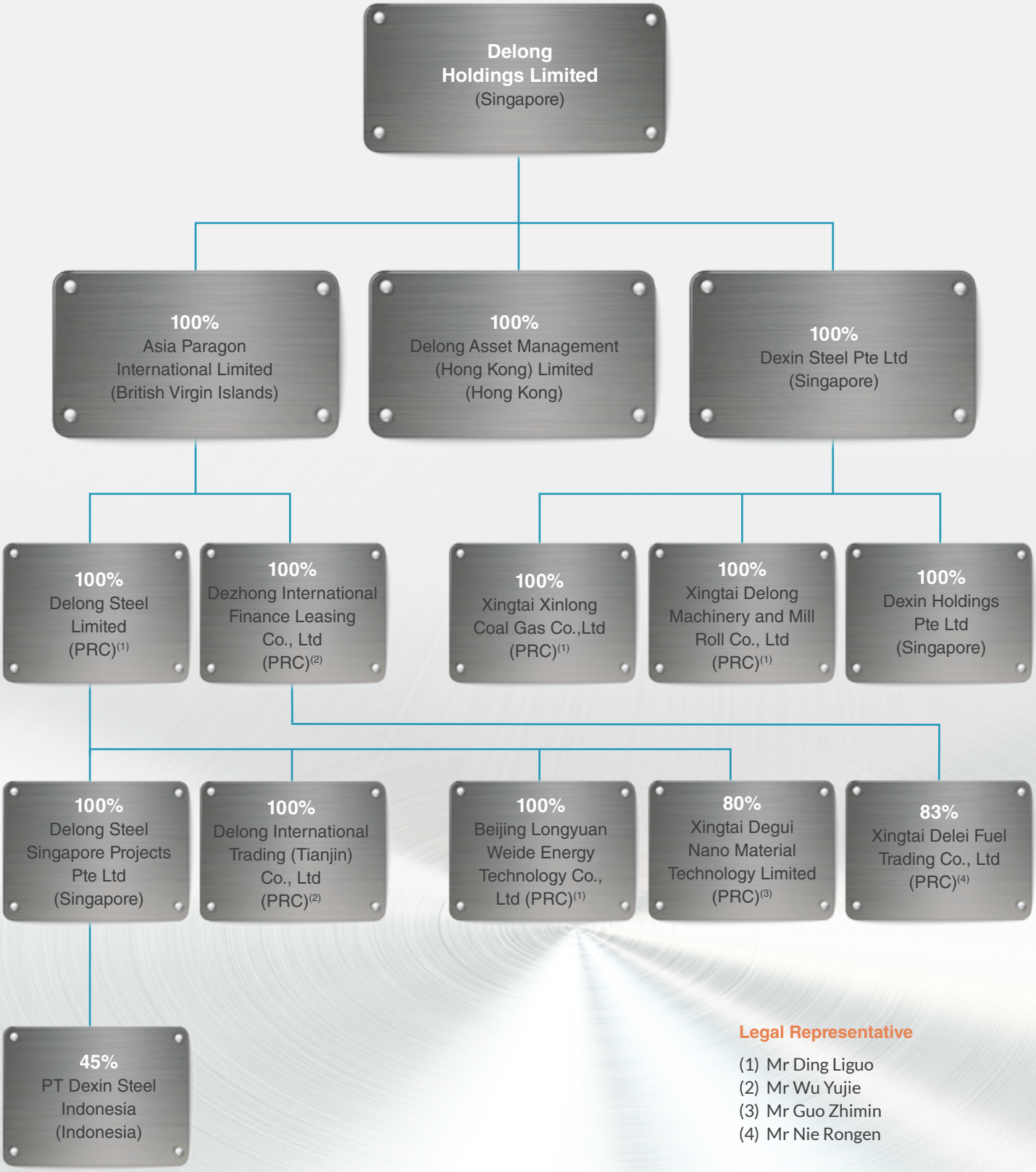


GROSS GEARING



NET GEARING

CORPORATE STRUCTURE



Legal Representative

(1) Mr Ding Liguo
(2) Mr Wu Yujie
(3) Mr Guo Zhimin
(4) Mr Nie Rongen

CORPORATE STRUCTURE

Delong Holdings Limited is principally engaged in the manufacture and sale of hot-rolled steel coil ("HRC"), with the People's Republic of China as its principal market.

Delong Holdings Limited is principally engaged in the manufacture and sale of hot-rolled steel coil ("HRC"), with the People's Republic of China as its principal market.

Asia Paragon International Limited ("Asia Paragon")

Asia Paragon is an investment holding company.

Delong Steel Limited ("Delong Steel")

Located 5km off Xingtai City in Hebei province, the People's Republic of China ("PRC"), Delong Steel is an important private enterprise in the province, employing a sizeable workforce of 3,483 and contributing significantly to the local economy. A member of the China Iron & Steel Association, Delong Steel is principally engaged in the manufacture and sale of hot-rolled coil ("HRC").

Sitting on a land area of over 900,000 square meters and ISO9001:2000-certified, the plant is outfitted with advanced steelmaking equipment, including multi-layered low-temperature sintering equipment, fully automated Programmable Logic Controller (PLC) production systems and ultrasonic cleaning technology. The Company has a fully-integrated steel plant capable of handling production from raw material processing through final product packaging. Over the years, the company has continually invested to upgrade its facilities through a technological enhancement programme.

Delong Steel's key products are HRC ranging from 350 to 1,250 mm in width and 1.4 to 25.0 mm in thickness. The products, which can be customized to clients' specifications, are mainly used for the infrastructure, pipe-making and machinery industries. As at 31 December 2018, the total HRC production from the two lines stood at 3.5 million tonnes a year.

The majority of Delong Steel's clients are located in the PRC, within a 500-kilometre radius of its plant, and the Company has benefited greatly from the rapid economic development in the northern and northeastern regions of China.

Dexin Steel Pte Ltd ("Dexin Steel")

Operationally located in Singapore, Dexin Steel is an investment holding company and iron ore trading and procurement center.

Delong Asset Management (Hong Kong) Limited ("Delong HK")

Operationally located in Hong Kong, the principal business of Delong HK is assets management.

Dezhong International Finance Leasing Co., Ltd ("Dezhong Leasing")

Operationally located in the PRC, the principal activity of Dezhong Leasing is in the business of purchasing equipment and leasing such equipment to the Group subsidiaries for use in the operations or to other third parties.

Xingtai Xinlong Coal-Gas Co., Ltd ("Xingtai Xinlong")

Operationally located in the PRC, the principal activity of Xingtai Xinlong is in coal gas recycling.

Xingtai Delong Machinery and Mill Roll Co., Ltd ("Xingtai Delong Mill Roll")

Operationally located in the PRC, the principal activities of Xingtai Delong Mill Roll are in the design, development, manufacture and sale of large diameter steel mill rollers and large cast steel articles.

CORPORATE PROFILE

Delong International Trading (Tianjin) Co., Ltd ("Delong International")

Operationally located in the PRC, the principal activities of Delong International are in the trading of steel and steel related products and investment in resource-related projects.

Dexin Holdings Pte Ltd ("Dexin Holdings")

Operationally located in Singapore, Dexin Holdings is an investment holding company.

Delong Steel Singapore Projects Pte Ltd ("Delong Steel Singapore")

Operationally located in Singapore, Delong Steel Singapore is an investment holding company.

PT. Dexin Steel Indonesia ("PT Dexin Steel")

Operationally located in Sulawesi, PT Dexin Steel is a principally engaged in manufacture and sale of steel bar, wire and slab.

Beijing Longyuan Weide Energy Technology Co., Ltd ("Longyuan Weide")

Operationally located in the PRC, Longyuan Weide is engaged in the technology development, technology services, technology advisory and investments.

Xingtai Degui Nano Material Technology Limited ("Degui Nano")

Operationally located in the PRC, Degui Nano is engaged in the trading of limestone and lime, and the research and development on nanocalcium carbonate.

Xingtai Delei Fuel Trading Co., Ltd ("Delei Fuel")

Operationally located in the PRC, Delei Fuel is engaged in the construction and operation of petrol gas stations.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ding Liguo
Executive Chairman and Non-Independent
First appointed: 8 March 2005
(re-appointed on 27 April 2018)

Wu Yujie
Executive Director and Non-Independent
First appointed: 1 July 2017
(re-appointed on 27 April 2018)

Wu Geng
Non-Executive Director and Independent
First appointed: 15 May 2017
(re-appointed on 27 April 2018)

Lai Hock Meng
Non-Executive Director and Independent
First appointed: 15 June 2007
(re-appointed on 27 April 2018)

Wang Tianyi
Non-Executive Director and Independent
First appointed on 15 August 2013
(re-appointed on 27 April 2017)

AUDIT AND RISK COMMITTEE

Lai Hock Meng (Chairman)
Wu Geng
Wang Tianyi

NOMINATING COMMITTEE

Wu Geng (Chairman)
Lai Hock Meng
Wang Tianyi

REMUNERATION COMMITTEE

Wang Tianyi (Chairman)
Wu Geng
Lai Hock Meng

COMPANY SECRETARY

Yeo Lee Luang
Chartered Accountant

SHARE REGISTRAR

B.A.C.S Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544
Tel: (65) 65934848
Fax: (65) 65934847

REGISTERED OFFICE

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Level 10
Singapore 048941
Tel: (65) 65212964
Fax: (65) 65357505
Website: www.delongsteel.com
Investor Relations Website:
delong.listedcompany.com

COMPANY REGISTRATION NUMBER

199705215G

AUDITORS

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Tel: (65) 62248288

Partner-in-charge: Mr. Jeremy Toh
(Appointed since 2017)

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Bank of China
China Minseng Bank
DBS Singapore

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Delong Holdings Limited (the "Company") is committed to a high standard of corporate governance and transparency and to the protection of shareholders' interest. The Board and Management believe that good corporate governance is key to the integrity of the Group and essential to the long-term sustainability of the Group's business and performance. The Board and its committees have established policies and rules on good governance, and they are guided by their respective written Terms of References. The Company will continue to refine its corporate governance framework based on best practices that we are aware of and which are appropriate with the needs and circumstances of the Group.

This Report sets out the Company's primary corporate governance policies and practices during the financial year ended 31 December 2018 ("FY2018") with specific references made to each of the principles of the Code of Corporate Governance 2012 (the "Code").

The Board believes that the Company has complied, in all material aspects, with the principles and guidelines as set out in the Code. Insofar as any principle and/or guideline has not been complied with, the reason has been presented.

I. BOARD MATTERS

The Board plays a pivotal role in overseeing the Group's overall strategy and business direction and is collectively responsible for the Group's long term success. The Management has been providing Directors with full and timely information to assist the Directors in the fulfillment of their responsibilities.

PRINCIPLE 1: EFFECTIVE BOARD TO LEAD AND CONTROL THE COMPANY

Guideline 1.1

Board's Role

The primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's role is to:

- guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives;
- establish and oversee the process of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- review and approve annual budgets, major funding proposals, investment and divestment proposals;
- monitor the performance of the management;
- set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;
- consider sustainability issues such as environmental factors; and
- assume responsibility for corporate governance.

Guideline 1.2

Objective Decision Making

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the management to make objective decisions in the interest of the Group.

Guideline 1.3

Delegation of Authority to Board Committees

To assist the Board in the execution of its responsibilities, the Board has established an Audit and Risk Committee ("ARC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC") (the "Board Committees"). These committees are chaired by independent directors and function within clearly defined terms of reference and operating procedures. The Board and the Board Committees meet regularly and, if necessary, on an ad hoc basis.

Guideline 1.4

Meetings of Board and Board Committees

The Board meets at least four times in a year. Besides the scheduled Board meetings, the Board meets on ad-hoc basis as warranted by particular circumstances.

To facilitate the ease, frequency and speed of Board meetings, the Company's Constitution allows Board members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference. The Board and Board Committees may also make decisions though circulating resolutions.

The following table shows the number of meetings held and directors' attendances since the date of the previous report of the directors:

	Board	Audit and Risk Committee	Remuneration Committee	Nominating Committee
Number of meetings held	**6**	**4**	**1**	**1**
Number of Meetings Attended				
Directors:				
Ding Liguo	6	4*	NA	NA
Wu Yujie	6	4*	NA	NA
Lai Hock Meng	6	4	1	1
Wu Geng	6	4	1	1
Wang Tianyi	6	4	1	1

NA-not applicable as the director is not a member of the Committee

*-Attendance by invitation to the Committee

Guideline 1.5

Internal Guideline On Matters Requiring Board Approval

The Company has established guideline governing matters that require the Board's approval. The Delegation of Authority matrix provides clear direction to Management on matters requiring the Board's specific approval which include:-

(i) material acquisition/investments and disposal of assets/investments;

(ii) corporate exercise;

(iii) annual budgets and business plan of the Group;

(iv) material financial/funding arrangements and providing of all corporate guarantees;

(v) declaration of interim/final dividend and

(vi) review and approval of all announcements including those for quarterly results and year-end financial statements

Internal guidelines have been established which require all Board members who have a conflict of interest in a particular agenda item to abstain from participating in the relevant Board discussion.

Guideline 1.6

Board Orientation and Training

When the directors were appointed, the Company conducted an orientation programme, to provide them with background information about the Group's structure, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors have the opportunity to visit the Group's production facilities and to meet with the Management to gain a better understanding of the Group's business operations. The orientation programme gives the directors an understanding of the Group's business to enable them to assimilate into their new role. It also allows the new directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management.

The Board as a whole is updated regularly on risk management, corporate governance, industry specific knowledge and key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members.

New releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the directors are circulated to the Board.

The Company Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The Company has an on-going budget for all directors to attend appropriate courses, conferences and seminars conducted by external professionals for them to stay abreast and seminars conducted by external professionals for them to stay abreast of relevant business developments and outlook.

Guideline 1.7

Appointment Letter to new Director

A formal letter of appointment is furnished to the newly appointed director, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

No new director was appointed during the year under review.

PRINCIPLE 2: INDEPENDENT ELEMENT ON THE BOARD

Guideline 2.1

Independent Element Of the Board

The Board comprises five directors of whom three are independent directors. The particulars of the directors are set out on pages 4 and 5. The directors are not related to one another.

The NC conducted its annual review of the Directors' independence and was satisfied that the Company has a strong and independent element on the Board.

Guideline 2.2

Composition Of Independent Directors On the Board

As the Chairman and the CEO is the same person, Mr Ding Liguo, the NC reviewed the percentage of the Independence Directors on the Board annually and was satisfied that the Company complies with the guidelines of the Code which provides that at least half of the Board is make up of independent directors.

Guideline 2.3

Independence Of Directors

Policy on the independence of Independent Directors

The Company is committed to have a strong independent element on the Board and has adopted a policy and established a process to obtain and maintain the requisite degree of independent representation for good and sound governance. As prescribed by the policy, the process:-

- establishes the methodology the Board shall use to assess the independence of each independent director bearing in mind the definition of independence in the Code;
- identifies the information that shall be collected from each independent director to make the assessment of independence; and
- fixes the elements of disclosure to shareholders with regard to the assessment to be made, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of an independent director.

The process requires the NC to make a formal assessment and report to the Board their findings as to whether the independent directors are independent of management and independent in character and judgment and whether there are any business or other relationships that could materially affect or interfere with the exercise of objective, unfettered or independent judgment by the independent directors or the independent directors' ability to fulfill their mandate and duties. The Board's rigorous review of the process is an important element in this process as the NC itself comprises only independent directors. The key features of the process are briefly set out below.

On an annual basis, the NC shall require each independent director to complete, confirm and sign a Declaration of Independence, the content and form of which has been approved.

Each declaration shall be reviewed by the other members of the NC. This forms the basis of the assessment. All relevant facts and circumstances shall be considered in making the assessment. Generally (but without limiting the scope of the factors which may be taken into account), in accordance with best practices, independence is, prima facie, established if the criteria set out below is met.

A director is independent if he or she:

(a) is not an executive director of the Company or any of its related corporations and have not been employed by the Company or any of its related corporations in the current or any of the past three financial years;

(b) does not have an immediate family member, who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations as a senior executive officer whose remuneration is determined by the RC;

(c) does not accept any significant compensation from the Company or any of its related corporation for the provision of services, for the current or immediate past financial year, other than compensation for board service;

(d) does not have an immediate family who is accepting any compensation from the Company or any of its related corporation for the provision of services, for the current or immediate past financial year, other than compensation for board service;

(e) is not a shareholder of or a partner in (with 10% or more stake), or an executive director of, or a director of any organization to which the Company or any of its subsidiaries made or from which the Company or any of its subsidiaries received, significant payments or materials services (in excess of an aggregate of S$200,000 per annum) in the current or immediate past financial year;

(f) does not have a relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with my exercise of independent business judgment with a view to the best interests of the Company and in carrying out my functions as an independent director and a member of any Board committee(s);

(g) is not directly associated with, a 10% shareholder of the Company in the current or immediate past financial year; and

(h) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the independent director's ability to act in the best interests of the Company

Independent directors are obliged to update the Board with any new information in relation to interests or relationships relevant to independence. The Board shall re-assess independence as and when any new interests or relationships are disclosed or come to light, as well as annually.

Following this process, the NC shall report to the Board, drawing to its attention in particular any failure to meet any of the above criteria and to any other relevant circumstances and the NC shall make recommendations. However, it is the Board's duty and prerogative to determine the sufficiency or otherwise of independence and to determine its composition. In accordance with best practices and the Code, the Board shall provide a justification if an appointee fails to meet any of the criteria above, but the Board still considers the appointee as an independent director.

The Board shall make the following disclosure to shareholders in the Company's Annual Report with regard to the matter of independent directors:

- the status of each of its members, that is whether each is an independent or non-independent director (and any change in status that occurred during the year) and their period of office.
- the justification for designating any member an independent director who fails to meet all the criteria stated above or whose status requires an explanation for any reason.
- the policy and criteria mentioned above.

Independent and non-independent directors standing for re-election will be so identified in the Notice of Annual General Meeting. If the Board's assessment of a director's independence changes, that change will be disclosed immediately through an announcement on the Singapore Exchange website and the Company's website.

There is no director deemed to be independent notwithstanding the existence of a relationship.

Mr Wu Geng, Mr Lai Hock Meng and Mr Wang Tianyi have satisfied the criteria stipulated in the above policy and the Board is of the view they are in fact independent and non-executive directors.

Guideline 2.4

Independence Of Directors Who Have Served On The Board Beyond Nine Years

The Board recognizes that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form, such as the number of years which they have served on the Board.

Currently, Mr Lai Hock Meng has served on the Board for more than 9 years from the date of his first appointment. The Board has subjected his independence to a particularly rigorous review by all the other directors (with Mr Lai Hock Meng abstaining from the review), before extending his tenure as director.

The Board is of the view that Mr Lai Hock Meng has demonstrated strong independence character and judgment over the years in discharging his duties and responsibilities as an independent director of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. He has expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management.

Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has resolved that Mr Lai continues to be considered independent director, notwithstanding he has served on the Board for more than nine years from the date of their first appointment.

Guideline 2.5

Composition And Size Of The Board

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, considers that a board size of between five to seven members as appropriate.

The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.

A summary of the current composition of the Board and its committees is set out below:

Name of director	Board	Audit and Risk Committee	Remuneration Committee	Nominating Committee
Ding Liguo (Executive/ Non-independent)	Chairman	–	–	–
Wu Yujie (Executive/ Non- independent)	Member	–	–	–
Lai Hock Meng (Non-executive/ Independent)	Member	Chairman	Member	Member
Wu Geng (Non-executive/ Independent)	Member	Member	Member	Chairman
Wang Tianyi (Non-executive/ Independent)	Member	Member	Chairman	Member

Guideline 2.6

Competency Of The Board

The NC conducts its annual review of the composition of the Board which comprises members with different backgrounds and core competences. The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute the development of the Group strategy and the performance of its business.

The Board has not formulated an official diversity policy but the Board has been mindful of diversity and from inception its members have been and diverse in terms of their competencies, expertise, background, race, gender and so have and shall contribute to the Board with different perspective and insights.

Guideline 2.7

Role of Non-Executive Directors

The Board and the management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the management on its assumptions and proposals is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversees the effective implementation by management to achieve set objective.

For this to happen, the Board, particularly the independent directors, which are non-executive directors, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the independent directors are well supported by accurate, complete and timely information, they have unrestricted access to management, and have sufficient time and resources to discharge their oversight functions effectively.

Guideline 2.8

Regular Meetings Of Non-Executive Directors

The independent directors meet on a need-basis without the present of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the executive directors.

PRINCIPLE 3: CLEAR DIVISION OF RESPONSIBILITIES AND BALANCE OF POWER AND AUTHORITY

Guideline 3.1

Separate Role Of Chairman And CEO

The Board is of the view that it is in the best interests of the Group to adopt a single leasdership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the ARC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the ARC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Guideline 3.2

Roles and Responsibilities Of Chairman

The Group's Executive Chairman and CEO, Mr Ding Liguo, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to managing day-to-day business operations of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency.

As the Executive Chairman and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda of the Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate, and ensures that independent directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeline of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholders meetings. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, Company Secretary and the Management.

Guideline 3.3

Appointment Of Lead Independent Director

The Board has appointed Mr Lai Hock Meng as the lead independent non-executive director to co-ordinate and to lead the independent directors, to provide a non-executive perspective and contribute a balance of view points to the Board. He is the principal liaison on Board issues between the independent directors and the Executive Chairman. He is available to shareholders where they have concerns with contact through the normal channels of the Executive Chairman and CEO or CFO has failed to resolve or is inappropriate.

Guideline 3.4

Independent Directors Meeting

The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where necessary, and the lead independent director will provide feedback to the Chairman after such meetings.

PRINCIPLE 4: FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT OF DIRECTORS TO THE BOARD

Guideline 4.1

NC Membership And Key Terms Of Reference

The NC has three members, all of whom are independent directors. The members are:

Chairman : Wu Geng

Member : Lai Hock Meng

Member : Wang Tianyi

The NC's written terms of reference, which describe its major responsibilities, are:

- review the nominations and recommend to the Board the appointment and re-appointment.
- annual review of balance and diversify of skills, experience, gender and knowledge required by the Board, determine the suitable size of the Board which would facilitate decision-making after taking into consideration the scope and nature of the operations of the Company.
- annual review of independence of each director, and to ensure that the Board comprises at least one–third independent directors. In this connection, the NC should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment.
- where a director has multiple listed companies board representation and/or other principal commitments, to decide whether the director is able to and has been adequately carrying out his duties as director of the Company.
- recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director.
- annual assessment of the effectiveness of the Board as a whole and the individual directors.
- review and make recommendations to the Board on relevant matters relating to the succession plans of the Board and senior management personnel, including the training and professional development programmes for board members.
- perform such other functions as the Board may determine.

Guideline 4.2 and 4.6

Responsibilities Of NC

Process For The Selection And Appointment Of New Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC seeks potential candidates widely and beyond directors/management recommendations and is empowered to engage external parties, such as professional research firms, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as director.

The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation and preparedness) and any other factors as may be determined by the NC.

All directors, including the Executive Chairman and CEO, submit themselves for re-nomination and re-appointment at regular intervals of at least every three years. Pursuant to Regulation 89 of the Company's Constitution, one third of the Board are to retire from office by rotation and be subject to re-appointment at the Company's AGM. In addition, Regulation 88 of the Company's Constitution, provides that a newly appointed director must retire and submit himself for re-appointment at the next AGM following his appointment. Thereafter, he is subject to be reappointed at least once every three years.

The Board recognizes the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.

Guideline 4.3

Independence Of Directors

The Board, after taking into consideration the views of the NC, is of the view that Mr Lai Hock Meng, Mr Wang Tianyi and Mr Wu Geng are independent and that, no individual or small group of individual dominates the Board's decision-making process.

Guideline 4.4

Commitments Of Directors Sitting On Multiple Boards

All directors are required to declare their board representations. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.

The NC has reviewed and is satisfied that Mr Wu Geng and Mr Lai Hock Meng, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as directors of the Company, notwithstanding her multiple board appointments.

The Company's current policy stipulates that a director should not have in aggregate more than six listed company board representations and other principal commitments concurrently so as to be able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

Guideline 4.5

Appointment Of Alternate Directors

Currently, the Company does not have any alternate director.

Guideline 4.7

Information On Directors

The key information of each member of the Board are set out on pages 4 and 5 of this Annual Report.

Directors who are seeking re-appointment at the forthcoming AGM to be held on 26 April 2019 are stated in the Notice of AGM set out on page 116 of this Annual Report.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters on which he is interested.

PRINCIPLE 5: ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD

Guideline 5.1

Board Performance

The Company has implemented a formal process to evaluate the performance of the Board as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and oversight of management's performance.

The annual process of evaluating the performance of the Board and individual Directors is as follows:

- The questionnaire for the annual evaluation of the Board is completed by all Board members;
- The evaluation of individual Directors' performance is also performed at the same time by Directors based on, amongst others, a Board Competency Matrix to assess Directors' respective areas of specialization and expertise, and other consideration of such factors as provided under the guidelines of the Code. The Board would act on the results where appropriate;

For the year under review, due process was observed and all Directors were requested to complete a Board performance Assessment checklist. The questionnaire included assessment criteria such as the size of the Board, the degree of independence of the Board, information flow from management, and adequacy of the Board and committees' meetings held to enable proper consideration of issues. To ensure confidentiality, the evaluation returns completed by all Directors were submitted to the Company Secretary for collation. The results of the performance evaluation on a collective basis were presented first to the NC for review and discussion and then to the Board.

Guideline 5.2

Performance Criteria For Board Evaluation

The NC has implemented a process for evaluating the effectiveness of i) the Board and its Board Committees; and ii) the contribution by each individual Director.

The Company has established objective criteria to evaluate the Board's performance. This includes comparing the Company's share price performance with its peers in the industry and Singapore Straits Times Index over a five-year period. Other performance criteria employed to assess the Board's performance are financial indicators such as return on equity, return on assets and earnings per share over a five-year period. Other relevant and meaningful criteria would also be used when applicable.

For the year under review, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review.

Guideline 5.3

Evaluation Of Individual Director

Evaluation of individual director's performance is a continuous process. For the year under review, the NC took note of each individual director's attendance at meetings of the Board, Board Committees and at general meeting(s); participation in discussion at meetings; knowledge of the countries where the Group operates; the individual director's functional expertise and his commitment of time to the Company and took such factors into consideration in the annual process of evaluating the performance of the individual Directors.

The individual director evaluation exercise assists the NC in determining whether to re-nominate directors who are due for retirement at the forthcoming AGM, and in determining whether directors with multiple board representations are able to and have adequately discharged their duties as directors of the Company.

Nonetheless, replacement of a director, when it happens, does not necessarily reflect the director's performance or contributions to the Board, but may be driven by the need to align the Board with the medium or long term needs of the Group.

PRINCIPLE 6: BOARD MEMBERS SHOULD BE PROVIDED WITH COMPLETE, ADEQUATE AND TIMELY INFORMATION

Guideline 6.1

Board's Access To Information

To enable the Board to make informed decisions and to fulfil its responsibilities, the management provides complete, accurate and adequate information in a timely manner. A system of communication between the management and the Board and Board Committees has been established and improved over the time. All scheduled Board and Board Committees' meetings are planned 12 months ahead and all discussion papers are distributed to Directors three days in advance of the meetings.

The Board, its committees and every Director have separate and independent access to the management and are free to request for additional information as needed to make informed decisions.

Guideline 6.2

Provision Of Information To The Board

The Board receives monthly management reports, quarterly management financial statements, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

Guideline 6.3

Board's Access To The Company Secretary

Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board Committees and between the management and independent directors.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with.

As the primary compliance officer for the Group's compliance with the Listing Rules, the Company Secretary is responsible for designing and implementing a framework for the management to comply with the Listing Rules, including advising the management to ensure that material information is disclosed on a prompt basis.

The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

Guideline 6.4

Appointment And Removal Of Company Secretary

The appointment and the removal of the Company Secretary is subject to the approval of the Board.

Guideline 6.5

Board's Access To Independent Professional Advices

Where the directors, whether individually or collectively, require independent professional advice in furtherance of their duties, the Company Secretary will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of obtaining such professional advice will be borne by the Company.

II. RENUMERATION MATTERS

Matters concerning remuneration of the Board and senior executives are handled by the RC whose primary function is to establish formal and transparent policies on remuneration matters in the Company.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Guideline 7.1

Remuneration Committee

The Remuneration Committee ("RC") has three members, all of whom are independent directors. The members are:

Chairman : Wang Tianyi

Member : Wu Geng

Member : Lai Hock Meng

The RC's written terms of reference which describe its major responsibilities, are:

- to make recommendations to the Board on the framework of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind for the Board and key executives and to determine specific remuneration packages for each executive director;
- to review all benefits and long term incentive schemes (including share option, if any) whether directors should be eligible or benefits under long-term incentive schemes and compensation/ remuneration packages for the Board and key executives; and
- to review service contracts of the executive directors.

Guideline 7.2

Remuneration Framework

To attract, retain and motivate directors and employees, the RC establishes appropriate remuneration frameworks for the directors and employees of the Company. Such frameworks are being reviewed periodically to ensure that they remain relevant.

The calculation of director's fees for each non-executive director is as follows:

- the base director's fee for each Committee Member
- additional S$5,000 per annum for each Committee Chairperson
- additional S$10,000 per annum for Lead Independent Director

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors fees, salaries, allowances, bonuses, and benefits-in-kind for each director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

Guideline 7.3

RC's Access To Advice On Remuneration Matters

The RC has explicit authority within its terms of reference to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary.

During the financial year, the RC did not require the service of an external remuneration consultant.

Guideline 7.4

Service Contract

The RC reviews the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Guideline 8.1

Remuneration Of Executive Director And Key Management Personnel

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Executive directors do not receive directors' fees but are remunerated as members of management. The remuneration package of the executive directors and key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and to link rewards to corporate and individual performance so as to promote long-term sustainability of the Group.

Service contracts for executive Chairman and executive director, are for a fixed appointment period and do not contain onerous removal clauses.

Guideline 8.2

Long-term Incentive Scheme

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options or any other forms of deferred remuneration. The Board is of the view that such long-term incentive plan is not effective and that it is difficult to determine how much such long-term incentive plan contributes to the retention of employees and/or motivating desired performance. The employees might not view it as "long-term"- disposing of shares when they are vested, rather than holding the shares and receiving dividend payments and enjoying future share price appreciation.

Guideline 8.3

Remuneration of Non-Executive Directors

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2018 is appropriate and that the independent directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The Company recognizes the need to pay competitive fees to attract, motivate and retain directors without being excessive to the extent that their independence might be compromised.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage independent directors to hold shares of the Company.

Guideline 8.4

Contractual Provisions To Reclaim Incentive Components Of Remuneration

Having reviewed and considered the variable components of the executive directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

In addition, the executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

Guideline 9.1

Remuneration Report

Details on the remuneration of directors and key management personnel for the year under review are reported below. During the year, there was no termination, retirement or post-employment benefits granted to any director or key management personnel.

Guideline 9.2

Remuneration of Directors

The Board supports and is keenly aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each executive director (including the Executive Chairman) and the key management personnel is not in the best interests of the Company and therefore shareholders. Inter alia, the Board took into account the very sensitive nature of the matter, the relative size of our Group, the competitive business environment we operate in and the irrevocable negative impact such disclosure would have on the Group.

The breakdown of the level and mix of remuneration of each director for the year ended 31 December 2018 is as follows:

Remuneration band & name of director	Status	Director's fees	Salary	Bonus	Total
S$850,000 - S$899,999					
Ding Liguo	EC	–	100%	–	100%
S$250,000 -S$299,999					
Wu Yujie	ED	–	53%	47%	100%

Remuneration band & name of director		Director's fees S$	Salary	Bonus	Total S$
Wu Geng	ID	65,000	-	-	60,000
Lai Hock Meng	LD, ID	75,000	-	-	75,000
Wang Tianyi	ID	65,000	-	-	65,000
Yuan Weimin*	NID	40,833	-	-	40,833

Legend:

EC : Executive Chairman
ED : Executive Director
LD : Lead Independent Director
NID : Non-Independent Director
ID : Independent Director

*Resigned on 6 September 2018

Guideline 9.3
Remuneration of key management personnel

The breakdown of the level and mix of remuneration of the top four key management personnel for the year ended 31 December 2018 is set out below:

Name of Top 4 Management Personnel	Salary	Bonus	Benefits	Total	Total remuneration in compensation bands of S$50,000
Lan Jihong	74%	26%	-	100%	S$250,000-S$299,999
Yeo Lee Luang	75%	25%	-	100%	S$200,000-S$249,999
Liu Guoqi	48%	52%	-	100%	S$100,000-S$149,999
Sun Jianxun	73%	27%	-	100%	S$50,000-S$99,999

Legend

Salary: Basic salary, allowance and employer's provident fund or equivalent contribution thereof

Benefits: Car benefits, travel allowance and health insurance

Bonus: Variable bonus and employer's provident fund or equivalent contribution thereof

The aggregate remuneration paid to the Top 4 key management personnel for the year ended 31 December 2018 was S$728,401. The Company only has 4 key management personnel.

The Company discloses the above information using a narrower band of S$50,000 to improve transparency as compared to the S$250,000 bands stipulated in the Code.

Guideline 9.4
Employee Related To Directors
No employee of the Group is an immediate family member of the substantial shareholders, a director or the executive Chairman in the financial year under review, earning remuneration more than S$50,000 during the year.

Guideline 9.5
Employee Share Scheme
The Group does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place. Please refer to Guideline 8.2 above.

Guideline 9.6
Link between remuneration and performance
The information on the link between remuneration paid to the Executive Director and key management personnel, and performance is set out under Guideline 8.1 of this Report.

III. ACCOUNTABILITY AND AUDIT

The Board recognizes the importance of providing accurate and relevant information on a timely basis. In this respect, the ARC reviews all financial statements and recommends them to the Board for approval. In addition, the ARC ensures that the Company maintains sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

PRINCIPLE 10: PRESENTATION OF A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECT

Guideline 10.1

Accountability For Accurate Information

The Company announces its quarterly results and annual financial reports as required by the Code within the mandatory period.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospect. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website.

Guideline 10.2

Compliance With Legislative And Regulatory Requirements

In accordance with SGX-ST's requirements, the Board issued negative assurance statements in its quarterly financial results announcements, confirming to the best of the knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Guideline 10.3

Management Accounts

The Management updated the Board on the Group's financial performance through monthly management reports. Such reports compare the Group's actual performance against the results of the previous year. They also highlighted key issues that are relevant to the Group's performance from time to time in order for the Board to make balanced and informed assessments of the Company's performance, position and prospects.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Guideline 11.1

Risk Management And Internal Control Systems

The Board recognizes the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The ARC oversees and ensures that such system has been appropriately implemented and monitored.

Risk assessment and evaluation has become an essential part of the business planning and monitoring process. Having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigating actions in place and/or proposed in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organization.

An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out on page 76 to 86 of this Annual Report.

Guideline 11.2

Adequacy And Effectiveness Of Risk Management And Internal Control Systems

The Board recognizes its responsibility in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets. For the financial year under review, the Board is of the view that there is no significant weakness or breakdown in the Group's existing system of internal controls and they provide reasonable, but no absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud and other irregularities.

As part of the annual statutory audit of the financial statements, the independent auditor also reports to the ARC and management on material internal control weaknesses which have come to their attention during the course of the statutory audit. The independent auditor carries out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate to the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Guideline 11.3 and Listing Rule 1207 (10)

Board's Comment On Adequacy And Effectiveness Of Internal Controls

During the financial year, based on the work performed by the internal and external auditors, and reviews conducted by the ARC, the Board is confident that the Company's framework of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, is adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value. This framework serves to provide reasonable assurance against material misrepresentation or loss.

The Board is of the view, with the concurrence of the ARC, that there are adequate internal controls in place to address financial, operational, compliance and information technology controls, and risk management systems during the financial year and up to the date of this report after considering the following:

- work done and reports by the internal and external auditors given during the year;
- the written representation from the CEO and the CFO.

Guideline 11.4

Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

PRINCIPLE 12: ESTABLISHMENT OF AUDIT AND RISK COMMITTEE WITH WRITTEN TERMS OF REFERENCE

Guideline 12.1

ARC Membership

The Audit and Risk Committee ("ARC") comprises three members, all of whom are independent directors.

Chairman : Lai Hock Meng

Member : Wu Geng

Member : Wang Tianyi

During the year, the ARC held four scheduled meetings, which most members attended.

Guideline 12.2

Expertise of ARC members

The Board considers that Mr Lai Hock Meng, who has extensive and practical financial management knowledge and experience, is well qualified to chair the ARC.

The members of the ARC, collectively, have expertise or experience in accounting and related financial management and are qualified to discharge the ARC's responsibilities.

Guideline 12.3

Authority of ARC

The ARC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the management and full discretion to invite any Executive Director or key management personnel to attend its meetings. The ARC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The ARC met four times in the financial year ended 31 December 2018 and the Executive Directors are invited to attend the meetings.

Guideline 12.4

Roles and Responsibilities of ARC

The ARC's written terms of reference which describe its major responsibilities are:

- to review the scope, approach and results of the specific procedures carried out by third party valuer for its financial assets at fair value through other comprehensive income;
- to review the scope, approach and results of the audit carried out by external auditors;
- to review quarterly and audited financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval;
- to review and discuss with external auditors any suspected fraud or irregularities, or failure of internal controls or rule and regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST listing Manual;
- to review the scope of work of the internal auditors;
- to review annually the adequacy and the effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively;
- to oversee the Company's risk management framework and policies, to determine the Company's overall levels of risk tolerance and risk policies;
- to review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology annually, either internally or with the assistance of any competent third parties;
- to review and monitor on an on-going basis, the procedures implemented to ensure that legal and regulatory compliance of the Group's bill financing activities in the applicable jurisdictions;
- to review assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems; and
- perform such other functions as the Board may determine.

Financial Reporting and Key Audit Matter

One of the key roles of ARC is to review the financial statements, including the review of significant judgements and accounting estimates so as ensure the integrity of the financial statements of the Company.

The ARC also considered the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with management, internal and external auditors have been included as key audit matters (KAMs) in the independent auditor's report for the financial year ended 31 December 2018. Refer to page 43 of this Annual Report.

The ARC took into consideration the approach and methodology applied in the valuation of financial assets at fair value through other comprehensive income, as well as the reasonableness of the estimates and key assumptions used. In addition to the views from the external auditors, external valuer was consulted. The ARC concluded that management's accounting treatment and estimates in relation to the valuation of financial assets at fair value through other comprehensive income were appropriate.

Guideline 12.5

External And Internal Auditors

The ARC meets with the external and internal auditors separately at least once a year without the presence of Executive Directors and senior management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

Guideline 12.6

Independence Of External Auditors

The ARC confirms that it has undertaken a review of all the non-audit services provided by the Company's auditors during the year and is satisfied that such services would not, in the ARC's opinion, affect the independence of the external auditors. The ARC has recommended their re-appointment at the forthcoming AGM. The aggregate amount of fees paid to the external auditors for the year is S$887,000.

The following information relates to remuneration of the auditor of the Company during the financial year:

External Auditor Fees for FY2018	S$'000	% of Total Fees
Total Audit Fees	832.0	93.8
Total Non-Audit fees	55.0	6.2
Total Fees Paid	887.0	100.0

The Group has complied with Rule 712 and Rule 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

Guideline 12.7

Whistle-blowing Policy

The Board has formulated a written and comprehensive Whistle Blowing policy which has been disseminated through the Group and is an integral part of the Company Handbook. The Board believes that this policy will, inter alia, act as a deterrent to malpractice and wrongdoing, encourage openness, promote transparency and underpin the risk management systems of the Group.

The Whistle Blowing Officers are the internal auditors of the Company. Any Whistle Blowing Officer to whom a concern has been raised is obliged to make a report to the Audit Committee of the substance of the concern without breaching employee confidentiality. The ARC is obliged to review all reports received and take or approve appropriate action.

The policy requires that the Whistle Blowing Officer shall consider any concern raised seriously even if made anonymously.

The policy covers all and any improprieties and wrongdoings:

- affecting the financial position of the company;
- relating to the honestly and integrity of the company's dealings;
- relating to the honesty and integrity of any employee or director in the course of his or her employment or dealing with or on behalf of the Company.

A whistle blower can choose to raise a concern by any means convenient including sending a letter or email or by telephone to any Whistle Blowing officer directly. The concern is appropriately and expeditiously dealt with and could be referred to the police or an independent investigator depending on the nature of the disclosure and the outcome of preliminary investigations.

All concerns raised must be referred to the ARC in a timely manner.

Guideline 12.8

ARC To Keep Abreast Of Changes To Accounting Standards

It is the Company's practice for our external auditor to present the ARC with their audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. It is also the responsibility of the CFO to update the Board on any changes in accounting standards which may have an impact on the financial statements. During the financial year in review, the changes in accounting standards did not have any impact on the Company's financial statements.

Guideline 12.9

Cooling-Off Period For Partners Or Directors Of The Company's auditing Firm

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the ARC.

PRINCIPLE 13: INTERNAL AUDIT

Guideline 13.4

Internal Audit Function

The ARC is assisted by the Internal Audit Group ("IAG") of Delong Steel in reviewing and testing during the year the proper functioning and adequacy of the Company's risk management and internal control systems. The Company's IAG is staffed by suitably qualified and experienced professional's personnel with the relevant experience. The IAG reports directly to the ARC on internal audit matters and may request from it the necessary resources to adequately perform its functions. The ARC endeavours to ensure that internal audit functions are adequately resourced and given an appropriate standing within the Company.

To ensure the adequacy and effectiveness of the risk management and internal audit functions, the ARC reviews the IAG's activities on a quarterly basis.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

The Company believes in treating all shareholders fairly and equitably by recognizing, protecting and facilitating the exercise of shareholders' rights and continuously reviewing and updating such governance arrangements. In addition, the Company embraces effective as well as fair communication with its shareholders and encourages shareholders to participate at general meeting(s).

Guideline 14.1

Sufficient Inforamtion To Shareholders

The Company believes in providing sufficient and regular information to its shareholders beyond the mere compliance of prevailing statutory or professional standards, if it deems beneficial to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance that could have a material impact on the price or value of its shares.

Guideline 14.2

Providing Opportunity For Shareholders To Participate And Vote At General Meetings

Shareholders are informed of general meetings through reports/circulars sent to all shareholders in addition to notices published in the newspapers, Company's announcements via SGXNET and the Company's website. General meetings are held at venue within the central business district and easily accessible by the shareholders. Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are explained by the scrutineer at such general meetings.

Guideline 14.3

Proxies For Nominees Companies

Currently, the Constitution of the Company allows all shareholders (members) to appoint up to two proxies to attend general meeting and vote on their behalf.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporation holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Guideline 15.1

Communication With Shareholders

In line with the continuous disclosure obligations under the listing rules of the SGX-ST and the Singapore Companies Act, Cap. 50, the Board informs shareholders promptly of all major developments that may have material impact on the Group.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding the commercial interests. Material information on the Group is being released to the public through the Company's announcements via SGXNET.

Guideline 15.2

Timely Information To Shareholders

All material information on the performance and development of the Group and of the Company is disclosed as an accurate and comprehensive manner through SGXNET and the Company's website. The Company does not practice selective disclosure of material information. All materials on the quarterly, half yearly and full year financial results are available on the Company's website- www.delongsteel.com.

Our website www.delongsteel.com is updated in a timely manner with the Group's latest announcements. In addition, shareholders can also view our latest financial highlights, financial reports, company presentations, investor factsheet, annual reports and stock quote under our investor portal, www.delong.listedcompany.com. Anyone may subscribe to the Company's announcements by registering for "email alerts" via our website

Guideline 15.3

Regular Dialogue With Shareholders

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or input and address shareholders' concerns at general meetings.

To enhance and encourage communication with investors, the Company provides contact details of our Investor Relations Consultants in our annual report and investor portal.

The Company conducts its IR on the following principles:

- Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET;
- Discuss only publicly-available and publicly known information during dialogues with investors and analyst, principally following announcement of financial results;
- Maintain a blackout period prior to the planned release of financial statements during which no meetings and presentations will be held with analysts or investors. The blackout period is two weeks for quarterly financial results and one month for the full-year financial results;
- Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions;
- Announce the date of release of quarterly financial reports at least a week in advance
- Operate an open policy with regard to investor/email enquiries; and
- Management and IR team are accessible to requests for one-on-one meetings and conference calls with investors and analysts.

Guideline 15.4

Soliciting And Understanding Views Of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders views on value creation.

Guideline 15.5

Dividend Policy

The Group does not have a concrete dividend policy at present. The form, frequency and amount dividends declared will take into consideration of the Group's profit growth, cash position, positive cash flow generated from operations, project capital requirements for business growth and other factors as the Board may deem appropriate.

During the financial year, the Company declared and paid a tax exempt one-tier interim dividend of S$0.55 per share on the ordinary shares of the Company.

The Company does not recommend a final dividend be paid for the financial year ended 31 December 2018.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Guideline 16.1

Effective Shareholders Participation

The Company supports active shareholders participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions. If shareholders are unable to attend the meetings, the Constitution allow a shareholder of the Company to appoint up to two proxies to attend and to vote in place of the shareholder through proxy form in advance.

Guideline 16.2

Separate Resolutions At General Meetings

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Shareholders can vote either in person or through proxies.

Guideline 16.3

Attendees At General Meetings

The Chairman of the Board and its Committees attend general meetings to address issues raised by shareholders. The Company's external auditors are also present to address any relevant queries from shareholders.

Guideline 16.4

Minutes Of General Meetings

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon request.

Guideline 16.5

Voting By Poll At General Meetings

All resolutions tabled at the AGM are voted by poll counted and validated by an independent scrutineer. The results of the poll voting on each resolution tabled at the AGM, including the total number of votes cast for or against each resolution, will be announced after the said meeting via SGXNET.

Listing Manual Rule 1207(19)

DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

The Company has adopted Internal Code of Conduct on dealing in the Company's securities. The Code has been modelled along the rules in the listing manual of the SGX-ST in respect of dealing in securities. The Group has procedures in place prohibiting directors and senior executives of the Group from dealing in the Company's shares during the periods commencing two weeks before the announcement of the Company's quarterly results and one month before full year financial results, and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Company. Directors and senior executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. Officers and directors are also prohibited from dealing in the Company's shares on short-term considerations.

The Board confirms that for the financial year ended 31 December 2018, the Company has complied with the listing rules of the SGX-ST in respect of dealing in securities.

MATERIAL CONTRACTS

There were no material contracts of the Company, or its subsidiaries involving the interests of the Executive Chairman, each director or controlling shareholder, either director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entering into since the end of previous financial year.

Listing Manual Rule 907

INTERESTED PERSON TRANSACTIONS

Interested Person Transactions ("IPT") are executed on fair terms and at arm's length regardless of nature and size. For disclosure of IPTs, please refer to page 86 of this Annual Report.

When a potential conflict of interest arises, the Directors concerned neither takes part in discussions nor exercises any influence over other members of the Board.

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DIRECTORS' STATEMENT

The directors present their statement with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 46 to 113 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Ding Liguo
Wu Yujie
Lai Hock Meng
Wang Tianyi
Wu Geng

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Ordinary shares of the Company				
Ding Liguo	–	5,130,000	64,163,500	84,647,099
Ultimate holding company Honest Joy International Ltd (Ordinary shares of US$1 each)				
Ding Liguo	70	70	30	30
Immediate holding company Best Decade Holdings Limited (Ordinary shares of US$1 each)				
Ding Liguo	–	–	1,000	1,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Mr Ding Liguo is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company as at January 21, 2019 were the same as at December 31, 2018.

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under options

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company is chaired by Mr Lai Hock Meng, an independent director, and includes Mr Wu Geng and Mr Wang Tianyi, who are all independent directors. The Audit and Risk Committee has met four times since the last Directors' report and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- to review the scope, approach and results of the specific procedures carried out by third party valuer for financial assets at fair value through other comprehensive income;
- to review the scope, approach and results of the audit carried out by external auditors;
- to review the quarterly and audited financial statements, SGXNET announcements, and all related disclosures to shareholders, before submission to the Board of Directors (the "Board") for approval;
- to review and discuss with external auditors any suspected fraud or irregularities, or failure of internal controls or rule and regulation which has or is likely to have a material impact on the Company's operating results and/or financial position;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- to review the independence of the external auditors annually including the nature and extent of non-audit services provided by the external auditors;
- to review a framework for the policies and procedures of related party transaction ("RPT") or interested person transaction ("IPT");
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST listing Manual;

- to review transactions constituting related party transactions;
- to review the scope of work of the internal auditors;
- to review annually the adequacy and effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively;
- to oversee the Company's risk management framework and policies, to determine the Company's overall levels of risk tolerance and risk policies;
- to review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology annually, either internally or with the assistance of any competent third parties;
- to review and monitor on an on-going basis, the procedures implemented to ensure the legal and regulatory compliance of the Group's bill financing activities in the applicable jurisdictions;
- to review assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems; and
- perform such other functions as the Board may determine.

The Audit and Risk Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Ding Liguo
Director

Wu Yujie
Director

March 28, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Delong Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Delong Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 113.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards International ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of *Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Our audit performed and responses thereon
Valuation of financial assets at fair value through other comprehensive income As at December 31, 2018, the Group's financial assets at fair value through other comprehensive income ("FVTOCI"), amounted to RMB425,753,000. The financial assets at FVTOCI balance mainly comprise of unquoted equity investments stated at fair value, determined by independent professional external valuer. The valuation of unquoted equity investments involves significant judgement in determining the appropriate valuation methods and use of subjective assumptions such as price/book ratio. The valuation is sensitive to underlying assumptions applied by the valuer such as market comparable used and liquidity reduction factor that may have a significant impact to the valuation.	We have discussed with the component auditors to understand the nature, extent and timing of procedures performed on the valuation of financial assets at fair value through other comprehensive income. We have also performed the following procedures: ● Obtained an understanding of the relevant controls and processes that management has in place in respect of valuation of unquoted equity investments; ● Obtained the external valuation report and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuer; ● Discussed with the external valuer to obtain understanding of their work performed on the unquoted equity investments covering amongst others, the valuation methodology and the appropriateness of assumptions applied; ● Assessed the valuation methodology used is appropriate including comparison to methodology generally used by other valuers on similar unquoted equity investments; and ● Performed independent assessment on the key assumptions by involving internal specialists who compared the key assumptions applied against data available in the market. The key judgement and estimation on the valuation of financial assets at FVTOCI is disclosed in Note 3 to the financial statements, and further information related to financial assets at FVTOCI is provided in Note 15 to the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair view financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Toh Yew Kuan Jeremy.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 28, 2019

STATEMENTS OF FINANCIAL POSITION

31 December 2018

	Note	Group			Company		
		December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
ASSETS							
Current assets							
Cash and cash equivalents	6	**2,766,631**	2,135,871	966,932	**5,138**	2,127	7,585
Bank balances pledged	7	**2,180,629**	1,111,559	1,571,779	**–**	–	–
Held for trading investments	8	**–**	982,927	725,943	**–**	–	–
Financial assets at fair value through profit or loss	8	**1,863,654**	–	–	**–**	–	–
Held-to-maturity financial asset	9	**–**	30,000	371,050	**–**	–	–
Other financial assets at amortised cost	9	**550,000**	–	–	**–**	–	–
Trade and other receivables	10	**193,380**	928,412	570,020	**1,050,213**	188,603	220,270
Inventories	12	**607,656**	812,037	552,518	**–**	–	–
Other assets	13	**325,114**	972,150	672,066	**93**	225	88
Non-current assets held for sale	14	**67,672**	67,672	–	–	–	–
Financial assets at fair value through other comprehensive income	15	**378,942**	–	–	**–**	–	–
Total current assets		**8,933,678**	7,040,628	5,430,308	**1,055,444**	190,955	227,943
Non-current assets							
Other assets	13	**572,762**	6,000	–	**–**	–	–
Held-to-maturity financial asset	9	**–**	6,512	–	**–**	–	–
Available-for-sale financial assets	15	**–**	233,448	203,988	**–**	–	–
Financial assets at fair value through other comprehensive income	15	**425,753**	–	–	**–**	–	–
Investments in subsidiaries	16	**–**	–	–	**2,010,492**	2,010,492	1,984,916
Investment in an associate	17	**2,784**	3,395	4,001	**–**	–	–
Investment in a joint venture	18	**458,447**	446,400	–	**–**	–	–
Property, plant and equipment	19	**2,743,925**	2,181,129	2,229,273	**13**	33	63
Intangible asset	20	**–**	–	1,440	**–**	–	–
Deferred tax assets	21	**14,886**	8,480	6,508	**–**	–	–
Total non-current assets		**4,218,557**	2,885,364	2,445,210	**2,010,505**	2,010,525	1,984,979
Total assets		**13,152,235**	9,925,992	7,875,518	**3,065,949**	2,201,480	2,212,922

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)

31 December 2018

	Note	Group			Company		
		December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables	22	**3,135,491**	2,563,115	1,442,102	**7,014**	7,580	5,280
Borrowings and notes payables	23	**2,954,302**	2,114,894	3,621,011	**10**	10	10
Provision for taxation		**226,501**	348,844	39,879	**–**	–	–
Total current liabilities		**6,316,294**	5,026,853	5,102,992	**7,024**	7,590	5,290
Non-current liabilities							
Borrowings	23	**725,440**	297,452	204,906	**12**	22	32
Deferred tax liabilities	21	**22,889**	22,889	23,249	**–**	–	–
Total non-current liabilities		**748,329**	320,341	228,155	**12**	22	32
Total liabilities		**7,064,623**	5,347,194	5,331,147	**7,036**	7,612	5,322
Net assets		**6,087,612**	4,578,798	2,544,371	**3,058,913**	2,193,868	2,207,600
Capital and reserves							
Share capital	25	**406,644**	406,644	406,644	**2,112,480**	2,112,480	2,112,480
Capital reserve	26	**261,613**	261,613	261,613	**249,218**	249,218	249,218
Fair value reserve	26	**(58,849)**	(23,536)	(304)	**–**	–	–
Currency translation reserve		**53,497**	11,177	23,424	**–**	–	–
Statutory reserve	26	**141,072**	141,072	141,072	**–**	–	–
Retained earnings (Accumulated losses)	26	**5,274,866**	3,781,828	1,711,922	**697,215**	(167,830)	(154,098)
Equity attributable to owners of the Company		**6,078,843**	4,578,798	2,544,371	**3,058,913**	2,193,868	2,207,600
Non-controlling interests		**8,769**	–	–	**–**	–	–
Total equity		**6,087,612**	4,578,798	2,544,371	**3,058,913**	2,193,868	2,207,600

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Revenue	27	**14,287,453**	12,831,279
Cost of sales	30	**(11,940,378)**	(10,102,751)
Gross profit		**2,347,075**	2,728,528
Other income	28	**228,740**	141,240
Other gains - net	29	**16,292**	302,748
Distribution and marketing costs	30	**(33,520)**	(87,990)
Administrative expenses	30	**(402,741)**	(374,298)
Finance costs	31	**(163,194)**	(153,066)
Share of loss of an associate	17	**(611)**	(606)
Share of loss of a joint venture	18	**(5,727)**	–
Profit before tax		**1,986,314**	2,556,556
Income tax expenses	32	**(285,438)**	(486,650)
Profit for the year	33	**1,700,876**	2,069,906
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Net fair value loss on financial assets at fair value through other comprehensive income		**(25,339)**	–
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**42,320**	(12,247)
Fair value changes on available-for-sale financial assets	15	**–**	(23,232)
Net fair value loss on financial assets at fair value through other comprehensive income of notes receivables		**(11,297)**	–
Deferred tax relating to changes in fair value of notes receivables		**2,823**	–
		33,846	(35,479)
Other comprehensive income (loss) for the year, net of tax		**8,507**	(35,479)
Total comprehensive income for the year		**1,709,383**	2,034,427
Profit attributable to:			
Owners of the Company		**1,702,707**	2,069,906
Non-controlling interests		**(1,831)**	–
		1,700,876	2,069,906
Total comprehensive income attributable to:			
Owners of the Company		**1,711,214**	2,034,427
Non-controlling interests		**(1,831)**	–
		1,709,383	2,034,427
Earnings per share	34		
(expressed in RMB per share)			
- Basic		**15.45**	18.79
- Diluted		**15.45**	18.79

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Currency translation reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group									
Balance as at January 1, 2017	**406,644**	**261,613**	**(304)**	**23,424**	**141,072**	**1,711,922**	**2,544,371**	**–**	**2,544,371**
Total comprehensive (loss) income for the year:									
Profit for the year	–	–	–	–	–	2,069,906	2,069,906	–	2,069,906
Other comprehensive loss	–	–	(23,232)	(12,247)	–	–	(35,479)	–	(35,479)
Total	–	–	(23,232)	(12,247)	–	2,069,906	2,034,427	–	2,034,427
Balance as at December 31, 2017	**406,644**	**261,613**	**(23,536)**	**11,177**	**141,072**	**3,781,828**	**4,578,798**	**–**	**4,578,798**
Adjustment on initial application of SFRS(I) 9 (Note 40)	–	–	(1,500)	–	–	95,000	93,500	–	93,500
Adjusted balance as at January 1, 2018	406,644	261,613	(25,036)	11,177	141,072	3,876,828	4,672,298	–	4,672,298
Total comprehensive income (loss) for the year:									
Profit (loss) for the year	–	–	–	–	–	1,702,707	1,702,707	(1,831)	1,700,876
Other comprehensive (loss) income	–	–	(33,813)	42,320	–	–	8,507	–	8,507
Total	–	–	(33,813)	42,320	–	1,702,707	1,711,214	(1,831)	1,709,383
Transactions with owners, recognised directly in equity:									
Dividend paid (Note 36)	–	–	–	–	–	(304,669)	(304,669)	–	(304,669)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	10,600	10,600
Total	–	–	–	–	–	(304,669)	(304,669)	10,600	(294,069)
Balance as at December 31, 2018	**406,644**	**261,613**	**(58,849)**	**53,497**	**141,072**	**5,274,866**	**6,078,843**	**8,769**	**6,087,612**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Year ended 31 December 2018

	Share capital RMB'000	Capital reserve RMB'000	Retained earnings (Accumulated losses) RMB'000	Total RMB'000
Company				
Balance at January 1, 2017	**2,112,480**	**249,218**	**(154,098)**	**2,207,600**
Loss for the year, representing total comprehensive loss for the year	–	–	(13,732)	(13,732)
Balance at December 31, 2017	**2,112,480**	**249,218**	**(167,830)**	**2,193,868**
Profit for the year, representing total comprehensive income for the year	–	–	1,169,714	1,169,714
Dividend paid (Note 36), representing transaction with owners, recognised directly in equity	–	–	(304,669)	(304,669)
Balance at December 31, 2018	**2,112,480**	**249,218**	**697,215**	**3,058,913**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 RMB'000	2017 RMB'000
Operating activities			
Profit for the year		**1,700,876**	2,069,906
Adjustments for:			
Income tax expenses	32	**285,438**	486,650
Depreciation	19	**222,361**	321,919
Amortisation of intangible assets	20	**–**	1,440
Loss allowance	10, 29	**1,343**	–
Loss on disposal of property, plant and equipment	29	**6,663**	47,493
Fair value gain on FVTPL	29	**(3,600)**	(3,479)
Impairment loss for available-for-sale financial assets	29	**–**	50,000
Share of loss of an associate	17	**611**	606
Share of loss of a joint venture	18	**5,727**	–
Interest income	28	**(207,260)**	(120,398)
Dividend income	28	**(832)**	(13,137)
Interest expenses	31	**163,194**	153,066
Operating cash flow before movements in working capital		**2,174,521**	2,994,066
Receivables		**1,003,347**	(649,207)
Inventories		**204,381**	(259,519)
Payables (Note A)		**516,663**	1,251,204
Cash generated from operations		**3,898,912**	3,336,544
Income taxes paid		**(414,187)**	(180,017)
Net cash from operating activities		**3,484,725**	3,156,527
Investing activities			
Payments for property, plant and equipment (Note A)		**(739,374)**	(620,098)
Proceeds from disposal of property, plant and equipment		**2,464**	103,995
Purchase of investments held for trading		**(870,615)**	(253,505)
Purchase of available-for-sale financial assets	15	**–**	(102,692)
Purchase of unquoted equity shares		**(132,618)**	–
(Purchase) proceeds of unquoted debt security		**(520,000)**	334,538
Investment in joint venture		**–**	(446,400)
Capital contribution by non controlling interest (Note B)		**10,000**	–
Loan to a joint venture		**(572,762)**	–
Interest received		**184,985**	120,398
Dividend received		**832**	13,137
Net cash used in investing activities		**(2,637,088)**	(850,627)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Year ended 31 December 2018

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Financing activities (Note C)			
Bank balances pledged		**(1,069,070)**	460,220
Proceeds from borrowings from banks, non-controlling shareholders and other financial institutions		**3,672,840**	1,731,952
Repayment of borrowings from banks and other financial institutions		**(2,405,440)**	(3,145,525)
Interest paid		**(163,194)**	(153,066)
Dividend paid		**(304,669)**	–
Net cash used in financing activities		**(269,533)**	(1,106,419)
Net increase in cash and cash equivalents		**578,104**	1,199,481
Cash and cash equivalents at the beginning of the year		**2,135,871**	966,932
Effects of currency translation on cash and cash equivalents		**52,656**	(30,542)
Cash and cash equivalents at the end of the year (Note 6)		**2,766,631**	2,135,871

Note A:
In 2018, total additions of property, plant and equipment was RMB794,251,000 (2017 : RMB492,964,000) and an amount of RMB56,656,000 (2017 : RMB1,779,000) remained unpaid as at end of the reporting period.

Note B:
In 2018, capital contribution by non-controlling interests of RMB600,000 (2017 : RMB Nil) remained unpaid as at end of the reporting period.

Note C:
The cash flows make up the net amount of proceeds and repayment of borrowings in the consolidated statement of cash flows. There are no non-cash changes in the cash flows from financing activities.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration Number 199705215G) is incorporated in Singapore with its principal place of business and registered office at 55 Market Street, Level 10, Singapore 048941. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Chinese Renminbi.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 16 and 17 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2018 were authorised for issue by the Board of Directors on March 28, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 40.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payments*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - Pursuant to the reverse acquisition ("Reverse Acquisition") of the Company by Asia Paragon International Limited ("Asia Paragon") effected on January 1, 2005, the Group's consolidated statements of comprehensive income, consolidated statement of financial position, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2005 and after the business combination have been prepared as continuation of Asia Paragon's financial statements.

Since such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary (i.e. Asia Paragon Group), the assets and liabilities and equity (including issued equity and retained profits) at the date of Acquisition are accounted for as follows:

(i) the assets and liabilities of Asia Paragon Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amounts; and

(ii) the retained profits and equity balances recognised in those consolidated financial statements are the retained profits and equity balances of the Asia Paragon Group immediately before the business combination. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the Company as the legal parent.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, an associate and a joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets (Before January 1, 2018)

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains - net' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Subsequent to initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets (from January 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (see Note 15).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains – net" line item (Note 29). Fair value is determined in the manner described in Note 4(vi).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains - net" line item;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains - net" line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory or economic of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate Group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4(vi).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains - net" line item in profit or loss (Note 29) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Prepaid leases	-	over the terms of leases which are from 21 to 50 years
Leasehold buildings	-	the shorter of 20 years or the lease term
Plant and equipment	-	10 years
Motor vehicles	-	5 years

Prepaid lease pertains to the prepayment of land rental for the total land rental period. Prepaid lease is measured at the total land rental cost less any accumulated impairment loss and is charged to profit or loss on a straight-line basis over their rental period.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION - Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ASSOCIATES AND JOINT VENTURE - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – The Group recognises revenue from manufacture and sale of hot-rolled steel coils and billet.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Manufacture and sale of hot-rolled steel coils and billets

For sale of hot-rolled steel coils and billets, revenue is recognised when control of the goods has transferred, being when the goods have been collected by the customer (collection). Upon collection, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are shipped to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers do not have have a right of return or other variable consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and social security bureaus in People's Republic of China ("PRC") as described below, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Group participates in retirement insurance scheme organised by the social security bureau in the PRC pursuant to the relevant provisions. The subsidiaries in PRC are required to make monthly contribution in respect of the above insurance schemes to the PRC social security bureau based on the monthly salaries of its employees.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese Renminbi, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the statement of cash flows, comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Apart from those involving estimations (see below), management is of the view that there are no other critical judgements that have a significant effect on the amounts recognised in the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The Board of Directors of the Company has set up an Investment Committee, which is headed up by the Chief Investment Officer of the Company. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Investment Committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Investment Committee reports to the Board of Directors of the Company yearly to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in Note 4(vi).

Allowance for inventories

The carrying amount of inventories is progressively reduced based on the age and type of stocks. These estimates of realisable values are made by management after taking into account historical and forecast selling prices. The carrying amount of inventories of the Group is set out in Note 12 to the financial statements.

Allowance for expected credit losses

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

The carrying amounts of the Group's and Company's trade and other receivables are disclosed in Note 10 to the financial statements.

Useful lives of property, plant and equipment

Management exercises their judgement in estimating the useful lives of the depreciable assets.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The carrying amounts of property, plant and equipment are disclosed in Note 19 to the financial statements.

Income taxes

The Group has exposure to income tax in different jurisdictions. Significant assumption is required in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises deferred tax assets for tax losses and other temporary differences based on estimates of whether the deferred tax assets can be realised. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of deferred tax liabilities are disclosed in Notes 21 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The following table sets out the financial instruments as at the end of the reporting period:

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Financial assets						
Loans and receivables (including cash and cash equivalents)	**–**	4,802,193	3,488,778	**–**	190,795	227,920
Financial assets at amortised cost	**5,822,750**	–	–	**1,055,419**	–	–
Held for trading investments	**–**	982,927	725,943	**–**	–	–
Held-to-maturity financial assets	**–**	36,512	371,050	**–**	–	–
Available-for-sale financial assets	**–**	233,448	203,988	**–**	–	–
Financial assets at fair value through profit or loss	**1,863,654**	–	–	**–**	–	–
Other financial assets at amortised cost	**550,000**	–	–	**–**	–	–
Financial assets at fair value through other comprehensive income	**804,695**	–	–	**–**	–	–
Total	**9,041,099**	6,055,080	4,789,759	**1,055,419**	190,795	227,920
Financial liabilities						
Financial liabilities at amortised cost	**5,114,742**	3,851,145	4,690,778	**7,036**	7,612	5,322

(i) Foreign exchange risk management

The Group is exposed to foreign exchange risk as it transacts business in various foreign currencies, mainly the Hong Kong dollar, United States dollar and Singapore dollar.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	HKD RMB'000	**USD RMB'000**	**SGD RMB'000**
Group			
At December 31, 2018			
Assets	118,761	1,858,182	14,279
Liabilities	20	–	7,290
At December 31, 2017			
Assets	61,649	573,078	13,020
Liabilities	188	7,530	7,810
At January 1, 2017			
Assets	60,474	593,641	10,909
Liabilities	–	37,591	6,288

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(i) Foreign exchange risk management (cont'd)

	USD RMB'000	SGD RMB'000
Company		
At December 31, 2018		
Assets	148	5,091
Liabilities	–	7,036
At December 31, 2017		
Assets	79	2,246
Liabilities	–	7,612
At January 1, 2017		
Assets	5,976	1,705
Liabilities	–	5,322

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their transactions at the period end for a 3% change in the foreign currency rates.

If the value of HKD, USD and SGD had changed against the RMB by 3% (2017 : 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position (net of tax) would have been as follows:

	2018 Profit after tax RMB'000	2017 Profit after tax RMB'000
Group		
HKD against RMB		
- strengthened	2,672	1,383
- weakened	(2,672)	(1,383)
USD against RMB		
- strengthened	41,809	12,725
- weakened	(41,809)	(12,725)
SGD against RMB		
- strengthened	157	117
- weakened	(157)	(117)
Company		
USD against RMB		
- strengthened	4	2
- weakened	(4)	(2)
SGD against RMB		
- strengthened	(48)	(134)
- weakened	48	134

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(ii) Interest rate risk management

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are to a certain extent dependent on changes in market interest rates. The Group has not entered into any hedging activity during the year. Nevertheless, the Group's exposure to interest rate risk is controlled and monitored on a regular basis. The Group's borrowings are at variable rates on which effective hedges have not been entered into are denominated mainly in RMB and USD. If the interest rates had increased/decreased by 1% (2017 : 1%) with all other variables including tax rate being held constant, the profit after tax would have been higher/lower (net of tax) by RMB19,930,000 (2017 : RMB9,399,000) as a result of higher/lower interest expense on these borrowings.

(iii) Equity price risk management

The Group is exposed to equity securities price risk due to its investments which are classified on the consolidated statement of financial position either as financial assets at fair value through other comprehensive income or through profit or loss (2017 : available-for-sale financial assets or at fair value through profit or loss). The Group continually monitors its price risk exposure arising from its investments.

If prices for the equity securities at fair value through profit or loss (2017 : held for trading investments) had increased/decreased by 5% with all other variables including tax rate being held constant, the effect on profit after tax (net of tax) would have increased/decreased by RMB69,887,000 (2017 : RMB36,860,000).

If prices for the equity securities at fair value through other comprehensive (2017 : available-for-sale financial assets) had increased/decreased by 5% with all other variables including tax rate being held constant, the effect on fair value reserves would have increased/decreased by RMB21,288,000 (2017 : RMB1,999,000).

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group and the Company do not hold any collateral except for the finance leased assets. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position grossed up for any allowance for losses, except as follows:

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Corporate guarantees provided to banks on:						
- Third parties' loans	**255,779**	295,050	475,050*	**–**	–	–
- Interested party's loan	**–**	–	50,000	**–**	–	–

* Including guarantees amounting to RMB 140 million was signed in December 2016 with a third party but the guarantees were utilised only in January 2017 and subsequently rescinded in March 2017.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(iv) Credit risk management (cont'd)

The Group's credit exposure to a third party at the end of the reporting period was as follows:

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Finance lease receivables (Note 11)	**–**	–	1,256
Corporate guarantees provided to banks (Note 35):			
for a third party	**219,779**	60,000	145,050
	219,779	60,000	146,306

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(iv) Credit risk management (cont'd)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12 months or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group						
December 31, 2018						
Trade receivables	10	(Note)	Lifetime ECL (simplified approach)	214,085	(20,705)	193,380
Other financial assets	13	Performing	12 months ECL	682,110	–	682,110
					(20,705)	
Company						
December 31, 2018						
Trade receivables	10	(Note)	Lifetime ECL (simplified approach)	33	–	33
Due from subsidiaries	10	Performing	12 months ECL	1,050,180	–	1,050,180
Other financial assets	13	Performing	12 months ECL	68	–	68
					–	

Note:

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix, grouping by internal credit rating. Notes 10 and 13 include further details on the loss allowance for these assets respectively.

The credit risk for trade and other receivables and other assets based on the information provided to key management is as follows:

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
By geographical areas						
People's Republic of China	**293,619**	1,550,173	911,512	**896,482**	29,697	55,167
Indonesia	**572,762**	–	–	**–**	–	–
Singapore	**4,210**	4,099	38,555	**153,799**	158,971	165,168
Hong Kong	**4,899**	491	–	**–**	–	–
	875,490	1,554,763	950,067	**1,050,281**	188,668	220,335
By types of customers						
Non-related parties	**302,728**	1,554,763	950,067	**101**	198	96
Joint Venture	**572,762**	–	–	**–**	–	–
Subsidiaries	**–**	–	–	**1,050,180**	188,470	220,239
	875,490	1,554,763	950,067	**1,050,281**	188,668	220,335

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(iv) Credit risk management (cont'd)

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks in the People's Republic of China, Hong Kong and Singapore. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection record with the Group.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and invests in financial instruments, where the counterparties have minimum BBB- credit rating, as these are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the group uses other publicly available financial information and its own trading records to rate its major customers. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Other than as disclosed in the financial statements, there was no significant concentration of credit risk at the end of the reporting period.

(v) Liquidity risk management

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the end of the reporting period, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits.

As at December 31, 2018, the Group has available committed credit facilities amounting to RMB1,986.5 million (December 31, 2017 : RMB2,089.2 million, January 1, 2017 : RMB1,128.7 million) which are not yet utilised and all conditions precedent have been met. These facilities will be available for draw down for the purpose of meeting working capital needs or replacing its short-term borrowings when they fall due.

The Group had satisfactorily maintained its credit facilities with the financial institutions in the PRC and had successfully renewed or rolled over its short-term borrowings when they fall due during the financial year. The Group and Company have met with all covenants imposed by the financial institutions. Management is not aware of any circumstances that may cause the financial institutions not to continue with the credit facilities.

Based on the above, management and the directors are of the view that the Group and Company are able to continue to operate as going concerns.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow of the Group and the Company. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the needs, monitoring liquidity ratios, and maintaining debt financing plans.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(v) Liquidity risk management (cont'd)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows (including interest payments).

	Weighted average effective interest rate % per annum	Less than 1 year RMB'000	Later than 1 year and not later than 5 years RMB'000
Group			
At December 31, 2018			
Notes payables	–	1,022,442	–
Trade and other payables	–	1,435,000	–
Borrowings	4%	1,985,759	779,962
Financial guarantee contracts	–	255,779	–
At December 31, 2017			
Notes payables	–	1,159,092	–
Trade and other payables	–	1,438,799	–
Borrowings	5%	996,537	317,704
Financial guarantee contracts	–	295,050	–
At January 1, 2017			
Notes payables	–	2,288,711	–
Trade and other payables	–	864,861	–
Borrowings	4%	1,396,433	217,544
Financial guarantee contracts	–	525,050	–
Company			
At December 31, 2018			
Trade and other payables	–	7,014	–
Borrowings	4%	10	12
At December 31, 2017			
Trade and other payables	–	7,580	–
Borrowings	4%	12	24
At January 1, 2017			
Trade and other payables	–	5,280	–
Borrowings	4%	12	36

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and maintaining adequate amount of committed credit facilities.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group				
At December 31, 2018				
Assets				
Financial assets at FVTPL (Note 8)				
Quoted equity shares	8,638	–	–	8,638
Managed funds	–	1,803,931	51,085	1,855,016
Financial assets at FVTOCI (Note 15)				
Unquoted equity shares	–	–	384,259	384,259
Quoted equity shares	41,494	–	–	41,494
Notes receivables	–	–	378,942	378,942

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

Fair value measurements (cont'd)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group				
At December 31, 2017				
Assets				
Held for trading investments (Note 8)				
Quoted equity shares	9,160	–	–	9,160
Managed funds	–	35,362	938,405	973,767
Available-for-sale financial assets (Note 15)				
Unquoted equity shares	–	–	193,476	193,476
Quoted equity shares	39,972	–	–	39,972
At January 1, 2017				
Assets				
Held for trading investments (Note 8)				
Quoted equity shares	8,578	–	–	8,578
Managed funds	–	14,960	702,405	717,365
Available-for-sale financial assets (Note 15)				
Unquoted equity shares	–	–	143,852	143,852
Quoted equity shares	60,136	–	–	60,136

Level 3 financial assets at FVTPL are measured based on net assets of the unquoted funds as provided by the fund managers. The Level 3 financial assets at FVTOCI are determined by independent professional external valuer (2017 : discounted cash flow analysis).

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, notes payables, and other borrowings approximate their fair values. There were no transfers into or out of Level 3 in 2017 and 2018, aside from the reclassification of its notes receivables as a financial asset at FVTOCI as disclosed in Note 40.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
Group			
2018			
Opening balance	938,405	193,476	1,131,881
Total gains			
- In profit or loss	368	–	368
- In other comprehensive income	–	58,165	58,165
Purchases	44,205	132,618	176,823
Disposals	(931,893)	–	(931,893)
Closing balance	51,085	384,259	435,344
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	3,600	–	3,600
2017			
Opening balance	702,405	143,852	846,257
Total losses			
- In profit or loss	–	–	–
- In other comprehensive income	–	(53,068)	(53,068)
Purchases	869,027	102,692	971,719
Disposals	(633,027)	–	(633,027)
Closing balance	938,405	193,476	1,131,881
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	3,479	–	3,479

Some of the Group's financial assets are measured at fair value as at each reporting date. The following table gives information about how the fair values of financial assets are determined.

	Fair values as at December 31, 2018 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets at fair value through other comprehensive income (See Note 15)			
Quoted equity shares	41,494	Level 1	Quoted bid prices in an active market
Unquoted equity shares	384,259	Level 3	Price/Book ratio of comparable listed companies adjusted for liquidity reduction factor [(1)]
Notes receivables	378,942	Level 3	Discounted present value

(1) Any significant isolated increases (decreases) the unobservable input (liquidity reduction factor) can result in a significantly lower (higher) fair value measurement.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Group's overall strategy remains unchanged from prior year.

5a HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Best Decade Holdings Limited, incorporated in the British Virgin Islands. The Company's ultimate holding company is Honest Joy International Ltd, incorporated in the British Virgin Islands. The controlling shareholder of Honest Joy International Ltd is Mr Ding Liguo. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

5b OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties or related companies and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Trading transactions

There were no significant transactions with related parties for the year ended December 31, 2018 and 2017.

Compensation of directors and key management personnel

	Group	
	2018	2017
	RMB'000	RMB'000
Salaries and other short term employee benefits	**6,879**	7,166
Post-employment benefits - defined contributions plans	**1,550**	1,501
	8,429	8,667

The remuneration of directors and key management is determined by the remuneration committee having regard to the Group's performance and individual performance.

6 CASH AND CASH EQUIVALENTS

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Cash at bank and on hand	**1,889,790**	1,941,404	961,040	**5,138**	2,127	1,693
Fixed deposits	**876,841**	194,467	5,892	**–**	–	5,892
Cash and cash equivalents in the statement of cash flows	**2,766,631**	2,135,871	966,932	**5,138**	2,127	7,585

The average effective interest rate of the fixed deposits is at 3.1% (2017 : 0.6% to 1.20%) per annum and for a tenure of approximately 90 days (2017 : 30 days).

The remittance of funds denominated in Renminbi ("RMB") out of the People's Republic of China ("PRC") is subject to the restrictions imposed by the State Administration of Foreign Exchange of China in PRC.

7 BANK BALANCES PLEDGED

These bank balances were pledged as security for certain bank borrowings and notes payables (Note 23) and letter of credit facilities (Note 22) amounting to RMB2,180,629,000 as at December 31, 2018 (2017 : RMB1,111,559,000).

Bank balances pledged bear average effective interest rate ranging from 1.30% to 1.95% (2017 : 1.30% to 1.55%) per annum.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS / HELD FOR TRADING INVESTMENTS

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Quoted equity shares, at fair value	**8,638**	9,160	8,578
Managed funds	**1,855,016**	973,767	717,365
	1,863,654	982,927	725,943

The quoted equity shares represent investments in listed equity securities that offer the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities were based on quoted market prices on the last market day of the financial year.

Investments in managed funds offer the Group and the Company the opportunity for return through fair value gains.

Changes in the fair value of financial assets at fair value through profit or loss, amounting to RMB3,600,000 (2017: RMB3,479,000) have been included in profit or loss for the year as part of "other gains - net".

9 OTHER FINANCIAL ASSETS AT AMORTISED COST / HELD-TO-MATURITY FINANCIAL ASSET

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Unquoted debt security, at amortised cost	**550,000**	36,512	371,050
Analysed as:			
- Current	**550,000**	30,000	371,050
- Non-current	**–**	6,512	–
Unquoted debt security, at amortised cost	**550,000**	36,512	371,050

Unquoted debt security previously classified as "held-to maturity financial asset" were reclassified to "other financial assets at amortised cost" at January 1, 2018. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest.

The coupon rate of the unquoted debt security ranges from 7.1% to 7.5% (2017 : 5% to 7.5%) per annum and matures within the next 12 months (2017 : 3 to 13 months).

For purpose of impairment assessment, the investments in debt securities are considered to have low credit risk. The credit ratings of the investments are monitored for credit deterioration. Accordingly, for the purpose of impairment assessment for these debt instruments, the loss allowance is measured at an amount equal to 12 months expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Management is of the view that the ECL relating to these financial assets is not significant.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

10 TRADE AND OTHER RECEIVABLES

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Finance lease receivables (Note 11)	**–**	–	1,256	**–**	–	–
Trade receivables - Third parties	**193,380**	106,551	135,280	**33**	133	31
Notes receivables [(a)]	**–**	821,861	433,484	**–**	–	–
Loans to subsidiaries [(b)]	**–**	–	–	**1,050,180**	188,470	220,239
	193,380	928,412	570,020	**1,050,213**	188,603	220,270

(a) Notes receivables was interest-free and repayable within 180 days. In 2018, Notes receivables that were classified as 'loans and receivables' under FRS 39 and were measured at amortised cost had been reclassified to 'financial assets at fair value through other comprehensive income'. Please refer to Note 40.

(b) Loans to subsidiaries in 2017 and 2018 are unsecured, interest-free and repayable on demand.

10 TRADE AND OTHER RECEIVABLES (cont'd)

The average credit period on sales of goods ranges from 90 days to 120 days (2017 : 90 days to 120 days). No interest is charged on the outstanding trade receivables. For purpose of impairment assessment, the trade receivables are considered to have low credit risk as the Group only transacts with a few credit-worthy counterparties. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL).

The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The group has recognised a loss allowance of 100% against all receivables over 3 years past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Previous accounting policy for impairment of trade receivables

In 2017, doubtful debt allowances for trade receivables were determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the Group's trade receivable balance were debtors which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances.

The table below is an analysis of trade receivables as at December 31:

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Trade receivables [(b)]	**214,085**	125,913	154,642	**33**	133	31
Less: Loss allowance/allowance for doubtful debts	**(20,705)**	(19,362)	(19,362)	**–**	–	–
Total trade receivables, net [(a)]	**193,380**	106,551	135,280	**33**	133	31

10 TRADE AND OTHER RECEIVABLES (cont'd)

Previous accounting policy for impairment of trade receivables (cont'd)

(a) Aging of trade receivables that are past due:

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
1 to 90 days	**87,789**	84,155	36,564
91 to 180 days	**–**	–	25,124
> 180 days	**–**	–	35,148
Total	**87,789**	84,155	96,836

(b) These receivables are arising from third parties and are stated before any reduction for impairment losses and are not secured by any collateral or credit enhancements.

11 FINANCE LEASE RECEIVABLES

	Group					
	Minimum lease payments			**Present value of minimum lease payments**		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Amounts receivable under finance leases:						
- Within one year	**–**	–	1,430	**–**	–	1,256
- In the second to fifth year inclusive	**–**	–	–	**–**	–	–
	–	–	1,430	**–**	–	1,256
Less: Unearned finance income	**–**	–	(174)	**–**	–	–
- Present value of minimum lease payments receivable	**–**	–	1,256	**–**	–	1,256

The finance lease arrangements entered into by the Group were mainly for the leasing of plant and equipment to third parties. The leases were denominated in the Chinese Renminbi and the term of the finance leases ranged from a period of 2 to 5 years. The effective interest rates contracted was 9.63% per annum for balances as at January 1, 2017.

Finance lease receivable balances were secured over the plant and equipment leased to these third parties. The fair value of the Group's finance lease receivables approximated their carrying amounts.

12 INVENTORIES

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Raw materials	**509,441**	636,056	374,126
Work-in-progress	**53,550**	128,524	133,192
Finished goods	**44,665**	47,457	45,200
	607,656	812,037	552,518

13 OTHER ASSETS

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Prepayments	**187,638**	330,073	239,701	**25**	160	23
Deposits	**587**	556	65	**68**	65	65
Entrusted loans to third parties [(a)]	**–**	52,667	107,667	**–**	–	–
VAT	**28,128**	21,726	52,318	**–**	–	–
Other receivables from Delong Thailand [(b)]	**–**	–	251,902	**–**	–	–
Commitment sum and bidding deposit for the proposed acquisition of Anhui Shoukuang [(c)]	**–**	541,850	–	**–**	–	–
Loan to PT Dexin Steel Indonesia [(d)]	**572,762**	–	–	**–**	–	–
Interest receivables	**22,275**	4,883	4,455			
Others	**86,486**	26,395	15,958	**–**	–	–
	897,876	978,150	672,066	**93**	225	88
Analysed as:						
Current	**325,114**	972,150	672,066	**93**	225	88
Non-current	**572,762**	6,000	–	**–**	–	–
	897,876	978,150	672,066	**93**	225	88

(a) As at December 31, 2017, the Group advanced RMB52.7 million through a bank to third parties. The loans were unsecured, bear interest rate ranging from 7.47% to 10% per annum. Entrusted loan amounting to RMB22.7 million was received in 2018 while entrusted loan amounting to RMB30 million had been fully eliminated upon consolidation in 2018, as they were due from Xingtai Degui Nano Material Technology Limited, a newly acquired subsidiary of the Group in 2018.

(b) Other receivables comprised the sale consideration for the disposal of the Group's 55% shareholding in Delong (Thailand) Co., Ltd ("Delong Thailand") and the shareholder loan owing by Delong Thailand in 2016. Please refer to Note 24 for the detail. The sale consideration and shareholder loan were fully received in February 2017.

(c) The commitment sum and bidding deposit were fully refunded on January 8, 2018 and January 16, 2018 respectively.

(d) Loan to PT Dexin Steel Indonesia comprised shareholder's loan granted to the Group's Joint Venture for working capital purposes. This loan is unsecured and bears interest at market rate. Repayment of this loan is dependent upon the financial performance of the Joint Venture and is not expected to be repaid within the next 12 months.

13 OTHER ASSETS (cont'd)

For purpose of impairment assessment, the other receivables are considered to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12 months expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

14 NON-CURRENT ASSETS HELD FOR SALE

At the fifth meeting of Hebei Province's 12th National People Congress, there are reforms introduced in relation to plans to reduce steelmaking capacity by 31.86 million tonnes in 2017, and the acceleration of reducing steelmaking capacity in cities of Langfang, Baoding and Zhangjiakou in 2017 (the "Capacity Reduction Plans").

The Group's subsidiary, Laiyuan County Aoyu Steel Co., Ltd. ("Aoyu Steel"), is located in Baoding, one of the affected cities under the Capacity Reduction Plans. The operations of Aoyu Steel had been suspended and ceased since August 2017. On August 30, 2017, Aoyu Steel entered into an agreement with the People's Government of Laiyuan County ("PGLC") in relation to the terms of the compensation to be given pursuant to the Capacity Reduction Plans (the "Compensation Agreement").

Under the Compensation Agreement, Aoyu Steel shall transfer its property, plant and equipment to PGLC. Upon signing of Compensation Agreement, the property, plant and equipment were classified as "non-current assets held for sale" and presented separately in the consolidated statement of financial position.

The proceeds of disposal are expected to exceed the net carrying amount of the property, plant and equipment and, accordingly, no impairment loss has been recognised on the classification of these assets as held for sale.

As PGLC is a government authority, the processes may be subject to bureaucratic considerations at various levels of government departments and the transfer had yet to be completed as at December 31, 2018.

The Group has received RMB239.5 million from the PGLC (2017 : RMB160 million) which is classified as trade and other payables (Note 22). RMB520.5 million remained unpaid from PGLC as at year end (2017 : RMB600 million).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE-FOR-SALE FINANCIAL ASSETS

At January 1, 2018, the Group designated the investments shown below as equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. In 2017, these investments were classified as available-for-sale.

As of January 1, 2018, the Group has also redesignated notes receivables previously classified as 'loans and receivables' under FRS 39 and were measured at amortised cost to 'financial assets at fair value through other comprehensive income'. Please refer to Note 40.

	Group
	2018
	RMB'000
Unquoted equity shares	**384,259**
Quoted equity shares	**41,494**
Notes receivables [(a)]	**378,942**
	804,695
Analysed as:	
- Current	**378,942**
- Non-current	**425,753**
Financial assets at fair value through other comprehensive income	**804,695**

(a) Notes receivables in 2018 was interest-free and repayable within 180 days.

Previous accounting policy for available-for-sale investments

	Group	
	December 31, 2017	January 1, 2017
	RMB'000	RMB'000
Unquoted equity shares, at cost	288,476	188,852
Less: Accumulated impairment	(95,000)	(45,000)
	193,476	143,852
Quoted equity shares, at fair value	39,972	60,136
	233,448	203,988

Movement of available-for-sale investments:

	Group
	2017
	RMB'000
Beginning of financial year	203,988
Additions	102,692
Impairment loss	(50,000)
Change in fair value	(23,232)
End of financial year	233,448

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

The unquoted equity shares were carried at cost as the management and directors were of the view that the fair value cannot be reliably measured. There were no active markets for these unlisted equity investments and their fair values could not be estimated within a reasonable range. There was no intention to dispose of these investments in the foreseeable future.

Management had assessed the impairment loss of the investment based on the operating and financial performance of the investee. The impairment loss was determined by comparing the carrying amount of cost against the Company's share in the net asset of the investee, which according to management, was the best estimate of the recoverable amount. As of December 31, 2017, impairment loss of RMB50 million had been provided.

16 INVESTMENTS IN SUBSIDIARIES

	Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Unquoted equity shares, at cost	**2,010,492**	2,010,492	1,984,916

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held			Principal activity
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %	
Held by the Company					
Asia Paragon International Limited [(a)]	British Virgin Islands	**100**	100	100	Investment holding
Delong Asset Management (Hong Kong) Limited [(f)]	Hong Kong	**100**	100	–	Assets management
Dexin Steel Pte Ltd [(b)]	Singapore	**100**	100	100	Procurement and sale of iron ore
Held by Asia Paragon International Limited					
Delong Steel Limited [(c)]	PRC	**100**	100	100	Production and sales of hot-rolled coils
Dezhong International Finance Leasing Co., Ltd [(c)]	PRC	**100**	100	100	Finance leasing activities
Held by Dezhong International Finance Leasing Co., Ltd					
Xingtai Delei Fuel Trading Co., Ltd [(c)]	PRC	**83**	83	–	Construction and operation of petrol gas stations

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held			Principal activity
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Held by Dexin Steel Pte Ltd					
Xingtai Xinlong Coal-Gas Co., Ltd [c]	PRC	**100**	100	100	Coal gas recycling
Xingtai Delong Machinery and Mill Roll Co., Ltd [c]	PRC	**100**	100	100	Design, development, manufacturing and sale of large diameter steel mill rollers and cast steel articles
Dexin Holdings Pte Ltd [b]	Singapore	**100**	100	100	Investment holding
Held by Delong Steel Limited					
Delong International Trading (Tianjin) Co., Ltd [c]	PRC	**100**	100	100	Investment in resource-related projects and trading in steel and steel-related products
Beijing Longyuan Weide Energy Technology Co., Ltd [a]	PRC	**100**	100	100	Technology development, technology advisory and technology related investments
Delong Steel Singapore Projects Pte Ltd [b]	Singapore	**100**	100	100	Investment holding
Baoding Delong Technology Enterprise Co., Ltd [d]	PRC	**–**	–	100	Production and sales of hot-rolled coils
Xingtai Degui Nano Material Technology Limited [e]	PRC	**80**	–	–	Trading of limestone, lime, and the research and development on nanocalcium carbonate
Held by Delong International Trading (Tianjin) Co., Ltd					
Laiyuan County Aoyu Steel Co., Ltd [c]	PRC	**100**	100	100	Production and sales of hot-rolled coils

(a) Not required to be audited under the laws of the country of incorporation.

(b) Audited by Deloitte & Touche LLP, Singapore.

(c) Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purpose.

(d) Deregistered in 2017.

(e) Newly acquired in 2018.

(f) Not material to the results of the Group.

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

The Company has provided financial support to certain subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiaries to continue to operate as a going concern and meet their contractual obligations when they fall due.

17 INVESTMENT IN AN ASSOCIATE

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
At beginning of the year	**3,395**	4,001	4,340
Share of post-acquisition loss, net of dividend received	**(611)**	(606)	(339)
At end of the year	**2,784**	3,395	4,001

Summarised financial information in respect of the Group's associate is set out below.

Name of associate	Country of incorporation	Proportion of ownership interest and voting power held			Principal activity
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %	
Held by Dezhong International Finance Leasing Co., Ltd					
Xingtai Xilan Zhongde Natural Gas Co., Ltd.	PRC	**49**	49	49	Constructing and operating liquefied natural gas (LNG) fueling stations

At the end of the financial year, the associate has a total current asset of RMB26,000 (2017 : RMB49,000), non-current asset of RMB7,204,000 (2017 : RMB7,699,000) and current liabilities of RMB1,548,000 (2017 : RMB819,000). The associate reported a net loss of RMB1,247,000 (2017 : RMB1,237,000) for the year ended December 31, 2018.

18 INVESTMENT IN JOINT VENTURE

	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Cost of investment in joint venture	**446,400**	446,400	–
Share of post-acquisition loss, net of dividend received	**(5,727)**	–	–
Foreign exchange difference	**17,774**	–	–
	458,447	446,440	–

Details of the Group's joint venture is set out below:

Name of joint venture	**Country of incorporation**	**Proportion of ownership interest and voting power held**			**Principal activity**
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %	
Held by Delong Steel Singapore Projects Pte Ltd					
P.T. Dexin Steel Indonesia [(a)]	Indonesia	**45**	45	–	Manufacture and sale of steel bar, wire and slab

(a) Newly incorporated in 2017.

The above joint venture is accounted for using the equity method in these consolidated financial statements and is audited by an overseas practice of Deloitte Touche Tohmatsu Limited.

Subsequent to the financial year end, on January 23 2019, a subsidiary of the Group, Delong Steel Singapore Projects Pte Ltd, has provided an additional loan of US$31.95 million to fund the Joint Venture.

At the end of the financial year, the joint venture has a total current asset of US$34,530,000 (2017 : US$65,628,000), non-current asset of US$298,965,000 (2017 : US$84,371,000), current liabilities of US$418,000 (2017 : US$ Nil) and non-current liabilities of US$185,000,000 (2017 : US$ Nil). The joint venture reported a net loss of US$1,922,000 (2017 : US$2,000) for the year ended December 31, 2018.

19 PROPERTY, PLANT AND EQUIPMENT

	Prepaid leases RMB'000	Leasehold buildings RMB'000	Plant and equipment RMB'000	Motor vehicles and others RMB'000	Construction –in–progress RMB'000	Total RMB'000
Group						
Cost						
At January 1, 2017	325,286	1,486,567	4,988,584	184,415	119,619	7,104,471
Additions	85,928	6,031	31,508	10,130	359,367	492,964
Disposals	(92,369)	(45,777)	(128,041)	(16,629)	(6,051)	(288,867)
Reclassification (Note 14)	(40,350)	(531,065)	(789,599)	(10,287)	(1,242)	(1,372,543)
Transfer in (out)	–	31,938	287,925	10,529	(330,392)	–
Exchange difference	–	(22)	(8)	–	–	(30)
At December 31, 2017	278,495	947,672	4,390,369	178,158	141,301	5,935,995
Additions	–	48,266	47,615	10,307	688,063	794,251
Disposals	–	(13,651)	(58,587)	(13,677)	(933)	(86,848)
Transfer in (out)	–	55,309	82,600	20,261	(158,170)	–
Exchange difference	–	25	12	–	–	37
At December 31, 2018	278,495	1,037,621	4,462,009	195,049	670,261	6,643,435
Accumulated depreciation						
At January 1, 2017	32,945	551,207	3,451,298	103,524	–	4,138,974
Charge for the year	771	79,704	231,558	9,886	–	321,919
Disposals	(1,105)	(26,068)	(98,086)	(12,120)	–	(137,379)
Reclassification (Note 14)	(10,759)	(235,498)	(450,052)	(8,114)	–	(704,423)
Exchange difference	–	(1)	–	–	–	(1)
At December 31, 2017	21,852	369,344	3,134,718	93,176	–	3,619,090
Charge for the year	457	59,913	152,176	9,815	–	222,361
Disposals	–	(5,045)	(60,225)	(12,451)	–	(77,721)
Exchange difference	–	3	1	–	–	4
At December 31, 2018	22,309	424,215	3,226,670	90,540	–	3,763,734
Accumulated impairment						
At January 1, 2017	–	292,692	442,650	579	303	736,224
Reclassification (Note 14)	–	(260,901)	(339,547)	–	–	(600,448)
At December 31, 2017 and December 31, 2018	–	31,791	103,103	579	303	135,776
Carrying amounts						
At January 1, 2017	292,341	642,668	1,094,636	80,312	119,316	2,229,273
At December 31, 2017	256,643	546,537	1,152,548	84,403	140,998	2,181,129
At December 31, 2018	256,186	581,615	1,132,236	103,930	669,958	2,743,925

19 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RMB'000
Company	
Cost	
At January 1, 2017	153
Additions	22
At December 31, 2017	175
Additions	–
At December 31, 2018	175
Accumulated depreciation	
At January 1, 2017	90
Charge for the year	52
At December 31, 2017	142
Charge for the year	20
At December 31, 2018	162
Carrying amounts	
At Janaury 1, 2017	63
At December 31, 2017	33
At December 31, 2018	13

At December 31, 2018, certain property, plant and equipment of the Group with a total carrying amount of approximately RMB1,204 million (December 31, 2017 : RMB1,098 million, January 1, 2017 : RMB1,935 million), are pledged as security for certain bank borrowings (Note 23(a)).

20 INTANGIBLE ASSET

	Customer Relationship RMB'000
Group	
Cost	
At January 1, 2017 and December 31, 2017 and December 31, 2018	28,800
Accumulated amortisation	
At January 1, 2017	27,360
Charge for the year	1,440
At December 31, 2017 and December 31, 2018	28,800
Carrying amount	
At December 31, 2018	–
At December 31, 2017	–
At January 1, 2017	1,440

The intangible asset acquired during the acquisition of a subsidiary is amortised over five years.

21 DEFERRED TAX ASSETS (LIABILITIES)

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Unremitted profits RMB'000	Revaluation of assets RMB'000	Deferred government grant RMB'000	Total RMB'000
At January 1, 2017	(22,889)	(360)	6,508	(16,741)
Charged to profit or loss (Note 32)	–	360	1,972	2,332
At December 31, 2017	(22,889)	–	8,480	(14,409)
Charged to profit or loss (Note 32)	–	–	3,583	3,583
Arising from fair value of financial assets at FVTOCI	–	–	2,823	2,823
At December 31, 2018	(22,889)	–	14,886	(8,003)

No deferred tax liability has been recognised in respect of undistributed earnings of foreign subsidiaries which would be subject to withholding tax if transferred out of the country. The Group is in a position to control the timing of the transfer of these retained earnings and earnings to be remitted such as to attract withholding tax in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Deferred tax liabilities	**22,889**	22,889	23,249
Deferred tax assets	**(14,886)**	(8,480)	(6,508)
	8,003	14,409	16,741

Subject to the agreement by the tax authorities, at the end of the reporting period, one of the Group's subsidiaries has unutilised tax losses of RMB131.7 million (December 31, 2017 : RMB135.1 million, January 1, 2017 : RMB183.4 million) available for offset against future profits. No deferred tax asset has been recognised in respect of this due to unpredictability of future profit streams of this subsidiary. The tax losses arising from subsidiaries in PRC have an expiry period of five years.

22 TRADE AND OTHER PAYABLES

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Trade payables - Third parties [(a)]	**1,185,956**	1,272,356	497,467	**12**	–	–
VAT and other taxes payable	**122,560**	95,153	75,678	**–**	–	–
Payable to contractors for construction-in-progress	**56,656**	1,779	128,913	**–**	–	–
Advances from customers - Third parties [(c)]	**1,246,495**	800,368	439,208	**–**	–	–
Other accrual for operating expenses	**4,913**	4,243	14,697	**4,639**	3,834	3,112
Accrual for interest expense	**–**	–	19,616	**–**	–	–
Accrual for staff cost	**49,407**	46,689	109,203	**–**	–	–
Due to directors (non-trade) [(b)]	**2,363**	2,697	2,138	**2,363**	2,697	2,138
Deferred income	**–**	–	17,848	**–**	–	–
Deferred government grant	**91,966**	68,795	44,507	**–**	–	–
Compensation from PGLC (Note 14)	**239,470**	160,000	–	**–**	–	–
Rental from customers	**22,047**	–	819	**–**	–	–
Other payables	**113,658**	111,035	92,008	**–**	1,049	30
	3,135,491	2,563,115	1,442,102	**7,014**	7,580	5,280

(a) Included in trade payables are outstanding balances of RMB487 million (December 31, 2017 : RMB691 million, January 1, 2017 : RMB146 million) guaranteed by letters of credit from banks. As at December 31, 2018, the letters of credit bear an average interest rate of 3.45% to 7.03% per annum (2017 : 4.35% to 5.00%) and are repayable within 180 days to 360 days (2017 : 90 to 180 days).

(b) Amounts due to directors (non-trade) are unsecured, interest-free and repayable within the next 12 months.

(c) 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. A contract liability arises from these advances received from third party customers when payment is initially received. Revenue is recognised at the point of shipment, when control of goods has transferred to the customer.

Group's revenue recognised that was included in the contract liability balance at the beginning of the period:

	2018 RMB'000	2017 RMB'000
Amounts received in advance of delivery	**1,246,495**	800,368

The significant increase in the Group's contract liabilities arose from the improved sales to its customers.

The average credit period on purchases of goods is 60 days (2017 : 60 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

23 BORROWINGS AND NOTES PAYABLES

	Group			Company		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	**December 31, 2018 RMB'000**	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Current						
Notes payables	**1,022,442**	1,159,092	2,288,711	**–**	–	–
Finance lease liabilities	**10**	10	10	**10**	10	10
Bank borrowings (a)						
- Unsecured	**657,950**	–	–	**–**	–	–
- Secured (b)	**577,550**	855,792	691,000	**–**	–	–
- Guaranteed (c)	**696,350**	100,000	641,290	**–**	–	–
	2,954,302	2,114,894	3,621,011	**10**	10	10
Non-current						
Finance lease liabilities	**10**	22	32	**12**	22	32
Bank borrowings (a)						
- Unsecured	**4,966**	–	9,966	**–**	–	–
- Secured (b)	**720,464**	200,430	95,908	**–**	–	–
- Guaranteed (c)	**–**	97,000	99,000	**–**	–	–
	725,440	297,452	204,906	**12**	22	32
Total borrowings and notes payables	**3,679,742**	2,412,346	3,825,917	**22**	32	42

(a) Bank borrowings

Bank borrowings bear an average interest rate of 4% per annum (2017 : 5%). Bank borrowings amounting to RMB1,931,850,000 (December 31, 2017 : RMB955,792,000, January 1, 2017 : RMB1,332,290) are repayable within 12 months from the financial year end and have been classified as current. The remaining balances of RMB725,430,000 (December 31, 2017 : RMB297,430,000, January 1, 2017 : RMB204,874,000) are not expected to be repaid within 12 months and have been classified as non-current.

(b) Security pledged

As at December 31, 2018 and 2017, the Group's bank loans were secured by certain property, plant and equipment (Note 19), pledged bank balances (Note 7) and a subsidiary's trade receivables.

(c) Guarantees provided

The bank loans were guaranteed by third parties, and Mr Ding Liguo, a director of the Company. In return, the Group has provided guarantees to banks for borrowings of these third parties as at December 31, 2018, December 31, 2017 and January 1, 2017 (see Note 35).

As at January 1, 2017, guarantee provided to a bank in respect of bank borrowing of Hebei Delong Modern Special Tube Manufacturing Co., Ltd ("Hebei Delong"), a company which is owned by Mr Ding Liguo and his spouse, Ms Zhao Jing, amounted to RMB50 million.

Following the repayment of bank borrowing by Hebei Delong in March 2017, the corporate guarantee given to the bank for the bank borrowing of Hebei Delong was subsequently terminated.

24 DISPOSAL OF A SUBSIDIARY

In November 2016, the Group ceased to control the financial and operation of Delong (Thailand) Co., Ltd. ("Delong Thailand") following disagreements with the non-controlling interests of Delong Thailand. On December 21, 2016, the Group's wholly-owned subsidiary, Delong Steel Singapore Projects Pte. Ltd. ("DSL Singapore"), entered into a memorandum of understanding with the non-controlling interests of Delong Thailand for the disposal of the Group's entire equity interest in Delong Thailand for a consideration of THB 385 million (equivalent to RMB76 million).

On January 25, 2017, DSL Singapore entered into a share purchase agreement with the non-controlling interests for the disposal of its 55% shareholding in Delong Thailand. The sale consideration and shareholder loan of USD25.3 million (equivalent to RMB176 million) that the Group previously extended to Delong Thailand were fully received in February 2017.

25 SHARE CAPITAL

	Group and Company			Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	**December 31, 2018**	December 31, 2017	January 1, 2017	**December 31, 2018**	December 31, 2017	January 1, 2017
	Number of ordinary shares ('000)			**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
At beginning and end of the financial year	**110,183**	110,183	110,183	406,644	406,644	406,644	**2,112,480**	2,112,480	2,112,480

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company. The newly issued shares rank pari passu in all respect with the previously issued shares.

26 RESERVES

Capital reserve

Capital reserve amounting to RMB249,218,000 pertains to equity component of the Old Convertible Bonds issued in June 2007. The Old Convertible Bonds were extinguished in November 2009.

Capital reserve amounting to RMB12,395,000 pertains to the cumulative fair value change in gross obligation of the purchase consideration and the discount arising from the acquisition of remaining 20% equity interest of Aoyu Steel in May 2015.

Fair value reserve

Fair value reserve amounting to RMB58,849,000 (December 31, 2017 : RMB23,536,000, January 1, 2017 : RMB304,000) at December 31, 2018 pertains to fair value losses on financial assets at FVOCI/ available-for-sale financial assets (Note 15).

26 RESERVES (cont'd)

Statutory reserve

The subsidiaries in the People's Republic of China ("PRC") are required to provide for certain statutory reserve fund, which are appropriated from net profit after tax (based on the financial statements prepared in accordance with the generally accepted accounting principles of the PRC) but before dividend distribution. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or to increase capital.

Retained earnings

As at December 31, 2018, approximately RMB126,974,000 (December 31, 2017 : RMB126,974,000, January 1, 2017 : RMB126,974,000) of the total retained earnings cannot be distributed as dividends as these are accumulated before the Reverse Acquisition (Note 2).

27 REVENUE

The Group derives its revenue from the transfer of goods at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 39).

	Group	
	2018	2017
	RMB'000	RMB'000
Sale of products – hot rolled coils, steel billets and other steel products	**14,287,453**	12,831,279

28 OTHER INCOME

	Group	
	2018	2017
	RMB'000	RMB'000
Government grants	**18,318**	7,097
Finance lease income	**2,330**	608
Dividend income from financial asset at FVTPL	**832**	13,137
Interest income		
- bank deposits	**96,348**	68,768
- amount due from an investee company	**832**	1,474
- entrusted loans to third parties (Note 13)	**–**	2,881
- other assets at amortised cost / held-to-maturity financial assets (Note 9)	**110,080**	47,275
	207,260	120,398
	228,740	141,240

29 OTHER GAINS - NET

Other gains include the following:

	Group	
	2018	2017
	RMB'000	RMB'000
Fair value gain on financial assets at FVTPL	**3,600**	3,479
Loss on disposal of property, plant and equipment	**(6,663)**	(47,493)
Net foreign exchange gain (loss)	**16,800**	(20,697)
Gain on disposal of Production Capacity [(a)]	**–**	377,358
Loss allowance	**1,343**	–
Impairment loss on available-for-sale financial assets	**–**	(50,000)

(a) In year 2017, Aoyu Steel was approached by Tsing Tuo Group Co., Ltd (青拓集团有限公司) (the "Purchaser") and they entered into a conditional agreement with the Purchaser, pursuant to which Aoyu Steel had agreed to transfer, and the Purchaser had agreed to purchase, Aoyu Steel's production capacity of 1.08 million tonnes and steel production capacity of 1.21 million tonnes, for an aggregate consideration of RMB400 million (the "Production Capacity Transfer").

The Production Capacity Transfer was approved by the relevant authorities of Laiyuan County and Baoding City, as well as the Hebei People's Government and Ministry of Industry and Information Technology. Accordingly, the consideration was received during the financial year 2017, with a gain of RMB377 million (net of tax) recognised in profit or loss.

30 EXPENSES BY NATURE

Cost of sales, distribution and marketing and administrative expenses have been arrived at after charging:

	Group	
	2018	2017
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note 19)	**222,361**	321,919
Amortisation of intangible assets (Note 20)	**–**	1,440
Staff costs	**389,855**	367,014
Rental on operating leases	**350**	352
Repairs and maintenance	**211,445**	134,652

31 FINANCE COSTS

	Group	
	2018	2017
	RMB'000	RMB'000
Interest expenses:		
- Bank borrowings	**141,805**	128,389
- Finance lease liabilities	**2**	3
Bills discounting charges - net	**162**	3,434
Bank charges	**21,225**	21,240
	163,194	153,066

32 INCOME TAX EXPENSES

	Group	
	2018	2017
	RMB'000	RMB'000
Tax expense is made up of:		
Current tax:		
- Singapore	**182**	1,025
- Foreign	**288,847**	492,273
Witholding tax:		
- Foreign	**62,683**	–
Deferred tax (Note 21)	**(3,583)**	(2,332)
	348,129	490,966
Adjustment in respect of the preceding financial years:		
Current income tax	**(62,691)**	(4,316)
	285,438	486,650

The Group's operations are mainly in the People's Republic of China ("PRC"). The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 25% (2017 : 25%) due to the following:

	Group	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**1,986,314**	2,556,556
Tax calculated at tax rate of 25% (2017 : 25%)	**496,578**	639,139
Effects of:		
Different tax rates in other countries	**1,230**	445
Lower tax rates arising from tax incentives [(a)]	**(189,189)**	(189,323)
(Income) expenses not taxable/ deducted for tax	**(11,273)**	38,241
Effect of utilisation of deferred tax assets not recognised	**(7,451)**	(1,501)
Deferred tax (Note 21)	**(3,583)**	(2,332)
Others	**(874)**	1,981
Tax charge	**285,438**	486,650

With effect from January 1, 2008, any profit to be remitted out of China in the form of dividend to foreign enterprises is subject to withholding tax. Dividends declared out of profits earned prior to January 1, 2008 are exempted from such withholding tax.

(a) A subsidiary in the People's Republic of China ("PRC"), of statutory tax rate of 25%, has been granted for the High and New Technology Enterprise ("Hi-Tech") qualification and is taxed at a concessionary tax rate of 15% for three years commencing on September 9, 2014. The concessionary tax rate of 15% has been extended to September 9, 2020.

33 PROFIT FOR THE YEAR

Other than items disclosed in other notes to the financial statements, profit for the year has been arrived at after charging:

	Group	
	2018	2017
	RMB'000	RMB'000
Directors' remuneration:		
- of the Company	**1,100**	1,097
- of the subsidiaries	**4,551**	4,413
Total directors' remuneration	**5,651**	5,510
Audit fees:		
- paid to auditors of the Company	**1,064**	1,140
- paid to other auditors	**3,132**	2,410
Non-audit fees:		
- paid to auditors of the Company	**273**	268
- paid to other auditors	**136**	2,006

34 EARNINGS PER SHARE

The following data are used in computing basic and fully diluted earnings per share disclosed in the consolidated statement of comprehensive income.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Net profit attributable to equity holders of the Company (RMB'000)	**1,702,707**	2,069,906
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**110,183**	110,183
Basic earnings per share (RMB)	**15.45**	18.79

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there are no dilution potential ordinary shares.

35 CONTINGENT LIABILITIES

Guarantees given to banks by the Group in respect of bank loans granted to related party (Note 5) and third parties are as follow:

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Guarantees granted to:			
- Third parties [1]	**255,779**	295,050	475,050
- Related party [2]	**–**	–	50,000
Total guarantees	**255,779**	295,050	525,050

(1) These include the following:

- Guarantees amounting to RMB220 million (2017 : RMB60 million) were given to the financial institutions for the banking facilities extended to third parties and in return, these third parties also provided guarantees for the Group's borrowings (Note 23); and

- As at January 1, 2017, guarantees amounting to RMB140 million was signed in December 2016 with a third party but the guarantees were utilised only in January 2017 and subsequently rescinded in March 2017.

(2) As at January 1, 2017, guarantees given to a bank by the Group in respect of bank borrowing of Hebei Delong Modern Special Tube Manufacturing Co., Ltd ("Hebei Delong"), a company which is owned by Mr Ding Liguo and his spouse, Ms Zhao Jing amounted to RMB50.0 million (Note 5b).

Following the repayment of bank borrowing by Hebei Delong in March 2017, the corporate guarantee given to the bank for the bank borrowing of Hebei Delong was subsequently terminated.

The directors are of the view that the fair value of these financial guarantee contracts at the date of inception was minimal and that no material losses will arise from the guarantees given to banks at the date of these financial statements.

As at December 31, 2018, December 31, 2017 and January 1, 2017, there were no guarantees given to banks by the Company in respect of bank loans granted to subsidiaries.

36 DIVIDENDS

During the financial year, the Company declared and paid a tax exempt one-tier interim dividend of S$0.55 (approximately RMB2.77) per share on the ordinary shares of the Company totaling S$60.6 million (approximately RMB304.7million).

The Company does not recommend that a final dividend be paid for the financial year ended December 31, 2018 and 2017.

37 COMMITMENTS

Expenditures contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Property, plant and equipment	**668,321**	334,511	260,563

38 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2018 RMB'000	2017 RMB'000
Payment recognised as an expense during the year	350	352

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Within one year	**233**	233	231

39 SEGMENT INFORMATION

The Group is primarily operating in one single operating segment i.e. the manufacture and sale of hot-rolled steel coils and billet. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the executive directors of the Group who are the chief operating decision makers. Substantially all the Group's operations were carried out in the People's Republic of China. 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, financial investments and finance leasing, do not constitute a separate reportable segment and are included in the "Other" column.

The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in Note 2 to the financial statements.

39 SEGMENT INFORMATION (cont'd)

The segment information for the reportable segments for the year ended December 31, 2018 is as follows:

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
December 31, 2018			
REVENUE			
External sales	16,510,852	–	16,510,852
Inter-segment sales	(2,223,399)	–	(2,223,399)
Sales to external parties	14,287,453	–	14,287,453
Adjusted EBITDA*	2,374,385	8,228	2,382,613
Depreciation and amortisation	(221,760)	(601)	(222,361)
Loss on disposal of property, plant and equipment	(6,663)	–	(6,663)
Fair value gain (loss) on financial assets at FVTPL	6,616	(3,016)	3,600
Loss allowance	(1,343)	–	(1,343)
Unallocated:			
Finance costs			(163,194)
Share of loss of an associate company			(611)
Share of loss of a joint venture company			(5,727)
Profit before income tax			1,986,314
Total assets	11,650,413	1,501,822	13,152,235
Total assets includes:			
Additions to property, plant and equipment	791,084	3,167	794,251
Total liabilities	7,048,311	16,312	7,064,623

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

39 SEGMENT INFORMATION (cont'd)

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
December 31, 2017			
REVENUE			
External sales	15,264,947	–	15,264,947
Inter-segment sales	(2,433,668)	–	(2,433,668)
Sales to external parties	12,831,279	–	12,831,279
Adjusted EBITDA*	3,156,994	(29,393)	3,127,601
Depreciation and amortisation	(323,050)	(309)	(323,359)
Impairment loss on property, plant and equipment			
Loss on disposal of property, plant and equipment	(47,493)	–	(47,493)
Fair value gain on held for trading investments	–	3,479	3,479
Impairment loss on available-for-sale financial assets	(50,000)	–	(50,000)
Unallocated:			
Finance costs			(153,066)
Share of loss of an associate company			(606)
Profit before income tax			2,556,556
Total assets	9,682,695	243,297	9,925,992
Total assets includes:			
Additions to property, plant and equipment	491,610	1,354	492,964
Total liabilities	5,331,890	15,304	5,347,194

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

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
January 1, 2017			
Total assets	7,060,379	815,139	7,875,518
Total assets includes:			
Additions to property, plant and equipment	232,464	160	232,264
Total liabilities	5,315,515	15,632	5,331,147

40 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017) as there were no changes compared to amounts previously reported except as disclosed below. Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I)15 which are effective at the same time. Management has not elected to take up any transition options available under SFRS(I)1, except for the below.

a) In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 Financial Instruments: Recognition and Measurement. For quoted financial assets held at FVTOCI, 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 January 1, 2018. For unquoted equity held at FVTOCI, the difference in the carrying amount of RMB93.5 million resulting from the adoption of SFRS(I) 9 are recognised in fair value reserve as at January 1, 2018.

b) Notes receivables that were classified as 'loans and receivables' under FRS 39 and were measured at amortised cost had been reclassified to 'financial assets at fair value through other comprehensive income' as they are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) SFRS(I) 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). There was no goodwill that had arose from the previous acquisitions.

The transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 have not had a material impact on the statement of cash flows.

41 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

SFRS(I) 16 Leases

Effective for annual periods beginning on or after January 1, 2019

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I)1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I)16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I)16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management has performed a detailed analysis of the requirements of the initial application of SFRS(I)16.

As at December 31, 2018, the Group and the Company have non-cancellable operating lease commitments as disclosed in Note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I)16, and hence the Group and the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon application of SFRS(I)16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's and the Company's financial statements and management is currently assessing its potential impact.

ANALYSIS OF SHAREHOLDINGS

As At 15 March 2019

Authorised Share Capital	:	*RMB2,112,480,000*
No. of shares issued	:	110,182,709
Voting rights	:	1 Vote per share
Class of shares	:	Ordinary shares
Treasury shares	:	Nil

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	338	22.35	14,570	0.01
100 - 1,000	824	54.50	291,864	0.27
1,001 - 10,000	262	17.33	949,310	0.86
10,001 - 1,000,000	84	5.56	8,449,925	7.67
1,000,001 & above	4	0.26	100,477,040	91.19
	1,512	100.00	110,182,709	100.00

Top Twenty shareholders	No.of shares	%
Best Decade Holdings Limited	84,647,099	76.82
Ding Liguo	5,130,000	4.66
Citibank Nominees Singapore Pte Ltd	4,167,884	3.78
Raffles Nominees (Pte) Ltd	3,194,549	2.90
DBS Nominees Pte Ltd	2,646,697	2.40
Lim Ewe Ghee	936,360	0.85
Phillip Securities Pte Ltd	691,440	0.63
ABN AMRO Clearing Bank N.V.	462,800	0.42
Wong Ka Fai Martin	448,100	0.41
Maybank Kim Eng Securities Pte Ltd	443,180	0.40
Wang Jianyong	368,100	0.33
Seah Seow Cher	357,300	0.32
OCBC Securities Private Ltd	340,515	0.31
Singapore Nominees Pte Ltd	336,000	0.31
Lam Pin Fan	328,400	0.30
United Overseas Bank Nominees Pte Ltd	262,580	0.24
Pang Heng Kwee	251,800	0.23
Lee Poh Cheong	234,000	0.21
Chew Choo Poh	200,000	0.18
Ng Boh Ann	180,000	0.16
	105,626,804	95.86

ANALYSIS OF SHAREHOLDINGS

As At 15 March 2019

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Best Decade Holdings Limited	84,647,099[5]	76.82	–	–
Golden Top Group Limited	–	–	84,647,099[1]	76.82
Honest Joy International Ltd	–	–	84,647,099[2]	76.82
Ding Liguo	5,130,000[5]	4.66	84,647,099[3]	76.82
Zhao Jing	–	–	89,777,099[4]	81.48

Notes:

(1) Golden Top Group Limited ("Golden Top") owns 100% of the share capital in Best Decade Holdings Limited ("Best Decade") and is therefore deemed to be interested in the shares of the Company held by Best Decade.

(2) Honest Joy International Ltd ("Honest Joy") owns 100% of the share capital in Golden Top and is therefore deemed to be interested in the shares of the Company held by Best Decade.

(3) Mr Ding Liguo holds 70% of the share capital in Honest Joy. He is therefore deemed to be interested in the shares of the Company held by Best Decade.

(4) Madam Zhao Jing holds 30% of the share capital in Honest Joy. She is therefore deemed to be interested in the shares of the Company held by Best Decade. Madam Zhao Jing is also the spouse of Mr Ding Liguo and is therefore deemed to be interested in the shares of the Company held by Mr Ding Liguo.

(5) Shares are held through nominee account.

Public shareholding

Based on the register of shareholdings and to the best of the Company, as at 15 March 2019, 18.52% of the Company's shares were held in public.

The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Delong Holdings Limited ("Company") will be held at 10 Anson Road, International Plaza, #28-15 Credit Savvy Suite, Singapore 079903 on Friday, 26 April 2019, at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Constitution:-

   Mr. Wang Tianyi **(Resolution 2)**
   Mr. Wu Yujie **(Resolution 3)**

   Mr. Wang Tianyi will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

3. To approve the payment of Directors' fees of RMB1,205,811 for the financial year ended 31 December 2018. (2017: RMB1,284,136) **(Resolution 4)**

4. To re-appoint Messrs Deloitte & Touche LLP as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without amendments, as Ordinary Resolutions:-

6. **General Mandate to authorise the Directors to issue shares or convertible securities**

   "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the SGX-ST (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue:-

   (a) shares; or

   (b) convertible securities; or

   (c) additional convertible securities issued pursuant to Rule 829 of the Listing Rules; and/or

   (d) shares arising from the conversion of securities in (b) and (c) above,

   in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company (calculated in accordance with (ii) below); of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the total number of issued shares excluding treasury shares and subsidiary holdings shall be calculated based on the total number of issued shares excluding

treasury shares and subsidiary holdings in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory Note (i)] **(Resolution 6)**

BY ORDER OF THE BOARD

Yeo Lee Luang
Company Secretary
Singapore, 11 April 2019

EXPLANATORY NOTE:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company of which the aggregate number of shares to be issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company.

Notes:-

1. A member of the Company (other than a relevant intermediary* as defined under Section 181(6) of the Act) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of the Company (other than a relevant Intermediary*) appoints more than one proxy, the proportion of shares to be represented by each proxy must be stated.

2. Pursuant to Section 181(1C) of the Act, a member who is a relevant intermediary* may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. A member of the Company which is a corporation is entitled to appoint its authorized representative or proxies to vote on its behalf. If the member is a corporation, the instrument appointing a proxy must be executed under common seal or the hand of its duly authorized officer or attorney.

4. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 55 Market Street, Level 10, Singapore 048941 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.

5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for the holding of the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

*A relevant intermediary means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DELONG HOLDINGS LIMITED

(Company Registration. No. 199705215G)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

*I/We _____ (Name) *NRIC / Passport No. _____

of _____

being a *member/members of **DELONG HOLDINGS LIMITED** ("the Company") hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf, at the Annual General Meeting of the Company to be held at 10 Anson Road, International Plaza,#28-15 Credit Savvy Suite, Singapore 079903 on Friday, 26 April 2019, at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Resolutions	For**	Against**
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr Wang Tianyi as a Director		
3	Re-election of Mr Wu Yujie as a Director		
4	Approval of Directors' fees amounting to RMB1,205,811		
5	Re-appointment of Messrs Deloitte & Touche LLP as Company's Auditors		
6	Authority to allot and issue new shares		

* *Delete accordingly*
** *Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.*

Dated this _____ day of _____ 2019.

Shares held in:	Total No. of Shares:
(a) CDP Register	
(b) Register of Members	

_____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. A member of the Company (other than a relevant intermediary* as defined under Section 181(6) of the Act) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the proportion of shares to be represented by each proxy must be stated.

2. Where a member appoints two proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the appointment shall be deemed to be in the alternaive.

3. Pursuant to under Section 181(1C) of the Act, a relevant intermediary* may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

   *A relevant intermediary means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorized officer.

5. A corporation which is a member, may authorise by resolution of its directors or other governing body, such person as it thinks fit, to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

6. The instrument of appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941 not less than 48 hours before the time set for holding the meeting or adjourned meeting (as the case may be).

7. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.

8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members whose shares are deposited with The Central Depository (Pte) Limited ("**CDP**"), the Company may reject any instrument of proxy lodged if such Member is not shown to have shares entered against the name in the Depository Register as at 48 hours before the time appointed for holding the AGM as certified by CDP to the Company.

9. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport Number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Share Registrar of the Company at 8 Robinson Road #03-00, ASO Building, Singapore 048544, not less than 48 hours before the time fixed for holding the AGM.

Personal data policy

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德龙控股
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