



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2014

Statement Pursuant to SGX Listing Rule 705(4) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial results of Delong Holdings Limited for the first quarter ended 31 March 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Mr. Ding Liguo
Chairman

Mr. Zuo Shuowen
Executive Director

Singapore
9 May 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF – YEAR AND FULL RESULTS

- 1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Note	The Group		Increase (Decrease) %
		1 st Quarter Ended 31/03/2014 RMB'000	31/03/2013 RMB'000	
Sales		2,386,105	3,210,678	(25.7)
Cost of sales		(2,362,985)	(3,052,841)	(22.6)
Gross Profit		23,120	157,837	(85.4)
Other income	1	18,700	25,851	(27.7)
Other gains-net	2	13,769	123	n.m
Expenses				
-Distribution and marketing		(3,362)	(3,190)	5.4
-Administrative		(58,904)	(61,364)	(4.0)
-Finance		(57,769)	(54,682)	5.6
(Loss)/Profit before tax	3	(64,446)	64,575	n.m
Income tax expense	4	(1,863)	(17,133)	(89.1)
Net (Loss)/Profit		(66,309)	47,442	n.m
(Loss)/Profit attributable to:				
Equity holders of the Company		(65,025)	45,489	n.m
Non-controlling interest		(1,284)	1,953	n.m
		(66,309)	47,442	n.m

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

Net (Loss)/ Profit	(66,309)	47,442	n.m
Other comprehensive (loss)/income:			
Available-for-sale financial assets-			
Fair value gain	3,384	-	100.0
Currency translation differences	(4,589)	3,131	n.m
Other comprehensive (loss)/income for the period, net of tax	(1,205)	3,131	n.m
Total comprehensive (loss) /income	(67,514)	50,573	n.m
Total comprehensive (loss)/ income attributable to:			
Equity holders of the Company	(66,230)	48,620	n.m
Non-controlling interest	(1,284)	1,953	100.0
	(67,514)	50,573	n.m

Notes:-

1 Other income

	The Group	
	1st Quarter Ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Government grants	405	2,410
Finance lease income ¹	828	6,910
Interest income	17,467	16,531
	<u>18,700</u>	<u>25,851</u>

¹The decrease in finance lease income was due to the termination of finance lease contracts during the period under review.

2 Other gains-net

	The Group	
	1st Quarter Ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Fair value loss on financial assets at fair value through profit or loss	(2)	(38)
Currency translation gain/(loss)-net ¹	6,188	(943)
Fair value gain/(loss) on convertible shares ²	191	(4,622)
Fair value changes on purchase consideration payable	1,284	(1,953)
Loss on disposal of property, plant and equipment	(288)	(1,897)
Others ³	6,396	9,576
	<u>13,769</u>	<u>123</u>

¹The currency translation gain was mainly due to the revaluation of bank balances denominated in US\$ which had strengthened against RMB.

²The gain/(loss) was due to the quarterly revaluation of derivatives embedded to the convertible shares.

³Others comprised of sale of gas, oxygen, electricity, realization of fair value gain on other receivable and etc.

3. Profit before tax includes the following items:-

	The Group	
	1 st Quarter Ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Depreciation and amortization ^(a)	115,851	122,614
Staff costs ^(b)	102,561	114,341
Rental on operating lease	190	248

Notes:

(a)The decrease in depreciation and amortization for the financial period ended 31 March 2014 (“1Q2014”) was mainly due to certain assets becoming fully depreciated and lower capital expenditure incurred.

(b)The decrease in staff costs was mainly due to lower headcount and related costs.

4. Income Tax Expense

	The Group	
	1 st Quarter Ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Tax expense is made up of:		
-Result from current financial year		
Current income tax		
-Foreign	2,759	19,823
Deferred income tax	(673)	(2,650)
Adjustments in respect of the preceding financial years		
Current income tax	(42)	(40)
Deferred income tax	(181)	-
	<u>1,863</u>	<u>17,133</u>

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

		The Group RMB '000		The Company RMB '000	
		As at 31/03/2014	As at 31/12/2013	As at 31/03/2014	As at 31/12/2013
Current assets					
	Note				
Cash and cash equivalents		744,919	373,706	34,097	33,913
Bank balances pledged		977,838	623,308	-	-
Financial assets, at fair value through profit and loss		401	393	401	393
Held-to-maturity financial assets	1	300,000	300,000	-	-
Trade and other receivables	2	879,185	857,118	240	10
Inventories	3	655,621	869,308	-	-
Other assets	4	575,108	750,417	316	292
Total current assets		4,133,072	3,774,250	35,054	34,608
Non-current assets					
Bank balances pledged		200,000	200,000	-	-
Trade and other receivables	5	2,951	27,382	230,327	229,666
Other assets	4	259,914	259,914	-	-
Available-for-sale financial assets	6	251,598	214,735	-	-
Investments in subsidiaries		-	-	1,984,916	1,984,916
Investment in a joint venture	7	4,900	-	-	-
Property, plant and equipment		2,796,893	2,841,017	74	81
Intangible assets		17,280	18,720	-	-
Deferred tax assets		13,623	13,804	-	-
Total non-current assets		3,547,159	3,575,572	2,215,317	2,214,663
Total assets		7,680,231	7,349,822	2,250,371	2,249,271
Current liabilities					
Trade and other payables	8	1,177,570	1,562,339	3,202	5,242
Notes payables		1,160,812	383,800	-	-
Borrowings		1,810,592	1,765,889	11	11
Convertible shares		9,873	10,216	9,873	10,216
Purchase consideration payable	9	114,445	115,729	-	-
Current income tax liabilities		3,892	-	-	-
Total current liabilities		4,277,184	3,837,973	13,086	15,469
Non-current liabilities					
Borrowings		823,173	863,789	26	28
Deferred income tax liabilities		33,934	34,606	-	-
Total non-current liabilities		857,107	898,395	26	28
Total liabilities		5,134,291	4,736,368	13,112	15,497
Net Assets		2,545,940	2,613,454	2,237,259	2,233,774
Capital reserves and non-controlling interests					
Share capital		405,775	405,147	2,111,611	2,110,983
Reserves		2,116,105	2,182,963	125,648	122,791
Equity attributable to owners of the Company		2,521,880	2,588,110	2,237,259	2,233,774
Non-controlling interests		114,445	115,729	-	-
Capital reserve		(90,385)	(90,385)	-	-
Total equity		2,545,940	2,613,454	2,237,259	2,233,774

Notes:

1. Held-to-maturity financial assets

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
Bohai International Trust Co.,Ltd ¹	100,000	100,000
Harvest Capital Management Co., Ltd ²	200,000	200,000
	<u>300,000</u>	<u>300,000</u>

⁽¹⁾ The unit trust bears an interest rate of 7.2% per annum and is due in July 2014.

⁽²⁾ Investment in Harvest Capital Management Co., Ltd bears an interest rate of approximately 6.25% per annum.

2. Trade and other receivables - current

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
Finance lease receivables	39,638	37,858
Trade receivables ⁽¹⁾	74,162	66,172
Notes receivable	729,016	714,618
Due from an investee company	23,470	23,470
Due from Shijiazhuang New Century Coal Industrial Group Co., Ltd	12,899	15,000
	<u>879,185</u>	<u>857,118</u>

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

3. Inventories

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
Raw materials	402,308	584,564
Work-in-progress	96,706	152,672
Finished goods	128,358	95,628
Production supplies	28,249	36,444
	<u>655,621</u>	<u>869,308</u>

The decrease in inventories was a result of better inventory management.

4. Other assets

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
Deposits	203	208
Prepayments	557,149	721,745
Entrusted loan to third parties	125,000	125,000
VAT and Tax recoverable	99,044	111,285
Others	53,626	52,093
	<u>835,022</u>	<u>1,010,331</u>

Analysed as:

Current	575,108	750,417
Non-current	259,914	259,914
	<u>835,022</u>	<u>1,010,331</u>

Prepayments relate to deposits and advance payments made to suppliers for the purchase of raw materials. These prepayments are to be offset against the purchases when the goods are received by the Group.

5. Trade and other receivables – non-current

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
Finance lease receivables	1,478	25,909
Due from Lai Yuan Bureau of Finance	1,473	1,473
	<u>2,951</u>	<u>27,382</u>

The decrease in finance lease receivables was due to the termination of finance lease contracts in 1Q2014.

6. Available-for-sale financial assets

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd	10,000	10,000
2.7% equity interest in Guo Kai Rui Ming (Beijing) Investment Fund Co., Ltd	50,000	50,000
1.6% equity interest in Hengshi Mining Investments Ltd	54,955	51,571
Harvest Fund Management Co., Ltd ¹	53,143	19,664
Shan Nan De Lian Heng Tong Investment	83,500	83,500
	<u>251,598</u>	<u>214,735</u>

Note:-

¹Investment bears an interest rate of 4.5% per annum and has no fixed maturity

7. This refers to the Company's 49% equity stake in Xingtai Xilan Zhongde Natural Gas Sales Co., Ltd.

8. Trade and other payables (Current and Non-Current)

	The Group	
	31/03/2014	31/12/2013
	RMB'000	RMB'000
Trade payables to:		
- Third parties	556,931	607,324
VAT and other taxes payable	1,262	27,216
Payable to contractors for construction-in-progress	36,008	36,501
Advances from customers ⁽¹⁾	353,426	636,406
Other accrual for operating expenses	30,593	19,950
Accrual for interest expense	956	25,619
Accrual for staff cost	31,330	50,435
Due to directors (non-trade)	2,151	2,341
Deferred income	6,431	6,846
Deferred government grant	15,784	16,189
Rental from customers	6,329	12,841
Other payables	136,369	120,671
	<u>1,177,570</u>	<u>1,562,339</u>

Notes:

¹Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases when goods are collected by the customers.

9. This represents the Group's future estimated obligation to acquire the remaining 20% interest in Aoyu Steel.

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debts securities, specify the following as at the end of the financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

As at 31/03/2014	As at 31/12/2013
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
982,367	838,098	1,056,136	719,969

Amount repayable after one year

As at 31/03/2014	As at 31/12/2013
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
64,023	759,150	598,859	264,930

Details of any collateral

The Group's borrowings are secured by certain property, plant and equipment of the Group.

As at 31 March 2014, the Group's bank borrowings of approximately RMB878.9 million (2013: RMB 1,134.0 million) were guaranteed by third parties. In return, the Group has provided guarantees to banks for borrowings of these third parties amounted to approximately RMB653.4million.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group	
	1 st Quarter Ended	
	31/03/2014	31/03/2013
	RMB '000	RMB'000
Cash flows from operating activities:		
(Loss)/Profit after income tax	(66,309)	47,442
Adjustments for:		
Income tax expense	1,863	17,133
Depreciation	114,411	121,174
Amortisation of intangible assets	1,440	1,440
Loss on disposal of property, plant and equipment	288	1,897
Fair value (gain)/ loss on financial assets, fair value through profit and loss	2	38
Fair value loss/ (gain) on convertible shares	(191)	4,622
Fair value changes on purchase consideration payable	(1,284)	1,953
Currency realignment difference on convertible shares	(297)	(2,268)
Interest income	(17,467)	(16,531)
Interest expense	57,769	49,852
Unrealised currency translation gain	3,374	5,656
	159,908	184,966
Operating cash flow before working capital changes	93,599	232,408
Bank balances pledged	(354,530)	(205,075)
Receivables	177,673	733,052
Inventories	213,687	49,267
Payables	392,243	(671,187)
	429,073	(93,943)
Cash used in operating activities	522,672	138,465
Income tax refund/ (paid)	1,538	(56,882)
Net cash generated from operating activities	524,210	81,583
Cash flows from investing activities:		
Payments for property, plant and equipment ("PPE")	(78,774)	(90,758)
Proceeds from disposal of PPE	225	-
Purchase of available-for-sale financial assets	(33,479)	(93,700)
Investment in a joint venture	(4,900)	-
Interest received	17,467	16,531
Net cash used in investing activities	(99,461)	(167,927)
Cash flows from financing activities:		
Proceeds from borrowings	480,583	1,035,017
Repayment of borrowings	(476,495)	(871,132)
Interest paid	(57,624)	(46,436)
Net cash (used in)/ generated from financing activities	(53,536)	117,449
Net increase in cash and cash equivalents	371,213	31,105
Cash and cash equivalents at beginning of the period	373,706	642,894
Cash and cash equivalents at end of the period	744,919	673,999

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<u>The Group</u>	Share capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000	Capital reserve RMB '000	Non-controlling interest RMB '000	Total equity RMB '000
Balance as at 1 January 2014	405,147	253,324	(8,869)	6,587	141,072	1,790,849	2,588,110	(90,385)	115,729	2,613,454
Issue of shares pursuant to exercise of convertible shares	628	(628)			-	-	-			
Total comprehensive income for the period	-	-	3,384	(4,589)	-	(65,025)	(66,230)	-	(1,284)	(67,514)
Balance as at 31 March 2014	405,775	252,696	(5,485)	1,998	141,072	1,725,824	2,521,880	(90,385)	114,445	2,545,940

<u>The Group</u>	Share capital RMB '000	Capital reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000	Capital reserve RMB '000	Non-controlling interest RMB '000	Total equity RMB '000
Balance as at 1 January 2013	405,147	249,218	(3,700)	141,072	1,792,333	2,584,070	(90,385)	110,125	2,603,810
Total comprehensive income for the period	-	-	3,131	-	45,489	48,620	-	1,953	50,573
Balance as at 31 March 2013	405,147	249,218	(569)	141,072	1,837,822	2,632,690	(90,385)	112,078	2,654,383

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2014	2,110,983	253,324	(130,533)	2,233,774
Issue of shares pursuant to exercise of convertible shares	628	(628)	-	-
Total comprehensive income for the period	-	-	3,485	3,485
Balance as at 31 March 2014	<u>2,111,611</u>	<u>252,696</u>	<u>(127,048)</u>	<u>2,237,259</u>

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2013	2,110,983	249,218	(107,113)	2,253,088
Total comprehensive loss for the period	-	-	(12,714)	(12,714)
Balance as at 31 March 2013	<u>2,110,983</u>	<u>249,218</u>	<u>(119,827)</u>	<u>2,240,374</u>

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Changes in the Share Capital of the Company for 1st Quarter Ended	31/03/2014	31/03/2013
Number of ordinary shares as at 31 March	550,718,995	550,437,849

Convertible Shares as at	31/03/2014	31/03/2013
Number of shares that maybe issued on conversion of all outstanding convertible shares	3,081,799	29,369,004

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company has no treasury shares.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not Applicable

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been reviewed or audited by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not Applicable

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the year ended 31 December 2013.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed , as well as the reasons for, and the effect of, the change**

Not Applicable

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend**

	The Group	
	1 st Quarter Ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Net(loss)/ profit for the period	(65,025)	45,489
Basic (loss)/earnings per share (in RMB)	(0.12)	0.08
Diluted (loss)/earnings per share (in RMB)	(0.12)	0.08
Weighted average no. of shares outstanding for basic earnings per share ('000)	550,582	550,438
Weighted average no. of shares outstanding for diluted earnings per share ('000)	553,664	579,807

Explanatory Notes:

Basic (loss)/ earnings per share is calculated based on the weighted average number of shares in issue during the period under review.

Diluted (loss)/ earnings per share is calculated based on the weighted average number of shares in issue during the period under review after adjusting to include the dilutive effect of all dilutive potential ordinary shares, e.g., convertible shares and convertible bonds.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	The Group		The Company	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net Asset Value per share (RMB)	4.58	4.70	4.06	4.06

Net asset value per share for the Group and Company is calculated based on 550,437,849 and 550,718,995 ordinary shares in issue as at 31 December 2013 and 31 March 2013, respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

(a) **Review of income statement of the Group**

1Q2014 vs 1Q2013

Revenue

Group revenue decreased by RMB824.6 million or 25.7% from RMB3,210.7 million in 1Q2013 to RMB2,386.1 million in 1Q2014. The decrease in revenue was principally attributed to lower sales volume arising from weaker demand of Hot Rolled Coils ("HRC") and steel billets as well as a significant decrease in the average selling prices of HRC and steel billets sold. This was mainly due to a weaker operating environment and intense competition in the steel industry in PRC in 1Q2014 as compared to previous corresponding period.

In 1Q2014, the Group sold 546,344 tonnes of HRC and 250,039 tonnes of steel billets, compared to 686,432 tonnes of HRC and 286,500 tonnes of steel billets in 1Q2013. Overall sales quantity decreased by 176,549 tonnes or 18.1%.

Cost of sales

Total cost of sales decreased by RMB689.8 million or 22.6%, from RMB3,052.8 million in 1Q2013 to RMB2,363.0 million in 1Q2014. The decrease was in line with lower volume of products sold as mentioned above as well as a decrease in raw materials prices in 1Q2014 compared to the previous corresponding period.

Gross profit

Gross profit decreased by RMB134.7 million or 85.4% from RMB157.8 million in 1Q2013 to RMB23.1 million in 1Q2014.

Gross profit margin decreased by 3.9 percentage points from 4.9% in 1Q2013 to 1.0% in 1Q2014. The decrease in gross profit margin was primarily due to the decrease in average selling prices of products sold, which outpaced the decrease in raw material prices in 1Q2014.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB0.2 million, from RMB3.2 million in 1Q2013 to 3.4 million in 1Q2014. The increase in distribution and marketing expenses was primarily due to higher port charges and transportation costs incurred in 1Q2014 compared to previous corresponding period.

Administrative expenses

Administrative expenses decreased by RMB2.5 million, from RMB61.4 million in 1Q2013 to RMB58.9 million in 1Q2014. The decrease in administrative expenses was primarily due to lower headcount and related expenses, and lower administrative expenses as a result of cost reduction efforts.

Finance expenses

Finance expenses increased by RMB3.1 million from RMB54.7 million in 1Q2013 to RMB57.8 million in 1Q2014. The increase was mainly due to the increase in bank borrowings drawn down for working capital purposes and overall higher interest rates on bank borrowings in 1Q2014 compared to previous corresponding period.

Net loss

As a result of lower operating profit and after taking into account taxation and non-controlling interest, the Group reported a net loss of RMB65.0 million in 1Q2014 compared to a net profit of RMB45.5 million.

(b) Review of balance sheet of the Group as at 31 March 2014**Current assets**

Current assets increased by RMB358.8 million, from RMB3,774.3 million as at 31 December 2013 to RMB4,133.1 million as at 31 March 2014, primarily due to the increase in bank balances pledged to banks for notes payables and bank borrowings as well as the increase in cash and cash equivalent due to drawn down of credit facilities.

The increase was partially offset by a decrease in advance payments made to suppliers for the purchase of raw materials due to volatility of raw materials prices, and a decrease in inventories as a result of better inventory management.

Current liabilities

Current liabilities increased by RMB439.2 million, from RMB3,838.0 million as at 31 December 2013 to RMB4,277.2 million as at 31 March 2014, primarily due to an increase in notes payables for payment to creditors and suppliers during the period under review.

The increase was partially offset by the decrease in overall trade and other payables

The increase in notes payables was mainly due to the Group's adoption of a more cost effective model of issuing notes payables for payments to suppliers at a lower financing cost instead of issuing letters of credit to suppliers.

Working capital

The negative working capital position was RMB144.1 million as at 31 March 2014. The Group's negative working capital position was mainly due to the use of short-term bank loans to finance its capital expenditure and working capital purposes.

Although the Group was in a negative working capital positions, it was able to service all of its debts obligations primarily through cash generated from operations.

The Group has satisfactorily maintained its credit facilities with financial institutions in PRC during the period under review and the credit facilities have constantly been renewed and/or rolled-over by these financial institutions.

Non-current assets – Property, plant and equipment

Property, plant and equipment decreased by RMB44.1 million, from RMB2,841.0 million as at 31 December 2013 to RM2,796.9 million as at 31 March 2014, primarily due to depreciation charges provided on the property, plant and equipment for the period under review. The decrease was partially offset by progress payments for technical enhancements to upgrade production facilities in Aoyu Steel Co., Ltd and Delong Steel Limited, and capital expenditure incurred for energy-saving emission reduction projects.

Non-Current liabilities

Non-current liabilities decreased by RMB41.3 million, from RMB898.4 million as at 31 December 2013 to RMB857.1 million as at 31 March 2014, primarily due to repayment of long term bank borrowings during the period under review.

(c) Review of cash flow statement of the Group**1Q2014 vs 1Q2013****Net Cash Generated from Operating Activities**

Operating cashflow before working capital changes decreased by RMB138.8 million, from RMB232.4 million in 1Q2013 to RMB93.6 million in 1Q2014, primarily due to the decrease in operating profit. Cash from operating activities increased by RMB384.2 million from RMB138.5 million in 1Q2013 to RMB522.7 million in 1Q2014, attributable mainly to the increase in notes payables, the decrease in inventories and the decrease in advance payments made to suppliers for the purchase of raw materials during the period under review. The increase was partially offset by the increase in bank balances pledged with banks for notes payables and bank borrowings.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB99.5 million in 1Q2014. This comprised principally the progress payments for the technical enhancements to upgrade production facilities in Aoyu Steel Co., Ltd and Delong Steel Limited. The Group also invested RMB4.9 million for a 49% equity stake in Xingtai Xilan Zhongde Natural Gas Sales Co., Ltd and increased investment in Harvest Fund Management Co., Ltd during the period under review.

Net Cash Generated from Financing Activities

Net cash used in financing activities was RMB53.5 million in 1Q2014. This was mainly attributable to the drawdown of short-term loans of RMB480.6 million for working capital less principal and interest repayments of RMB534.1 million.

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

The Company had issued a profit guidance on 2 May 2014 that the Company would report a net loss for the three months ended 31 March 2014.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period for the next 12 months

The overall operating environment for the steel industry remains challenging. China reported a GDP growth of 7.4% for the first quarter of 2014 (1Q2014), its lowest level in 18 months. Industrial production in 1Q2014 remained weak. While crude steel output has seen increase in March, the slowing economy may impact demand in the months ahead. Such issues are further exacerbated by the Chinese Government's efforts to control air pollution caused by industrial activities.

The recent haze issue will also adversely affect the steel industry in terms of production and steel and raw materials transportation. To address the environmental and overcapacity concerns, the State Council had declared in 2013 that it is not granting approvals for new projects and will be stepping-up environmental, safety and energy standards to eliminate old capacity. For Hebei Province, the Government has established a target of reducing steel capacity by 21% by 2017.

In view of the above, the Group expects the industrial outlook to remain challenging, which will affect Delong's operational performance.

Notwithstanding such market challenges, as a socially-responsible enterprise, the Group is committed to the sustainable growth of its operations over the long-term and will continue to prudently seek growth opportunities. The Group will also remain vigilant in its cost control and inventory management efforts.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(C) Date payable and Book Closure Date

N.A.

12. If no dividend has been declared/recommended, a statement to that effect

The Board of Directors of the Company does not recommend that a dividend be paid for the first quarter 31 March 2014.

13. Interested person transactions

There was no interested party transaction for the financial period ended 31 March 2014.

PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2,Q3 or Half Year Results)

- 14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.**

N.A

- 15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

N.A

- 16. A breakdown of Sales**

N.A

- 17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

N.A

BY ORDER OF THE BOARD

Ding Liguao
Executive Chairman