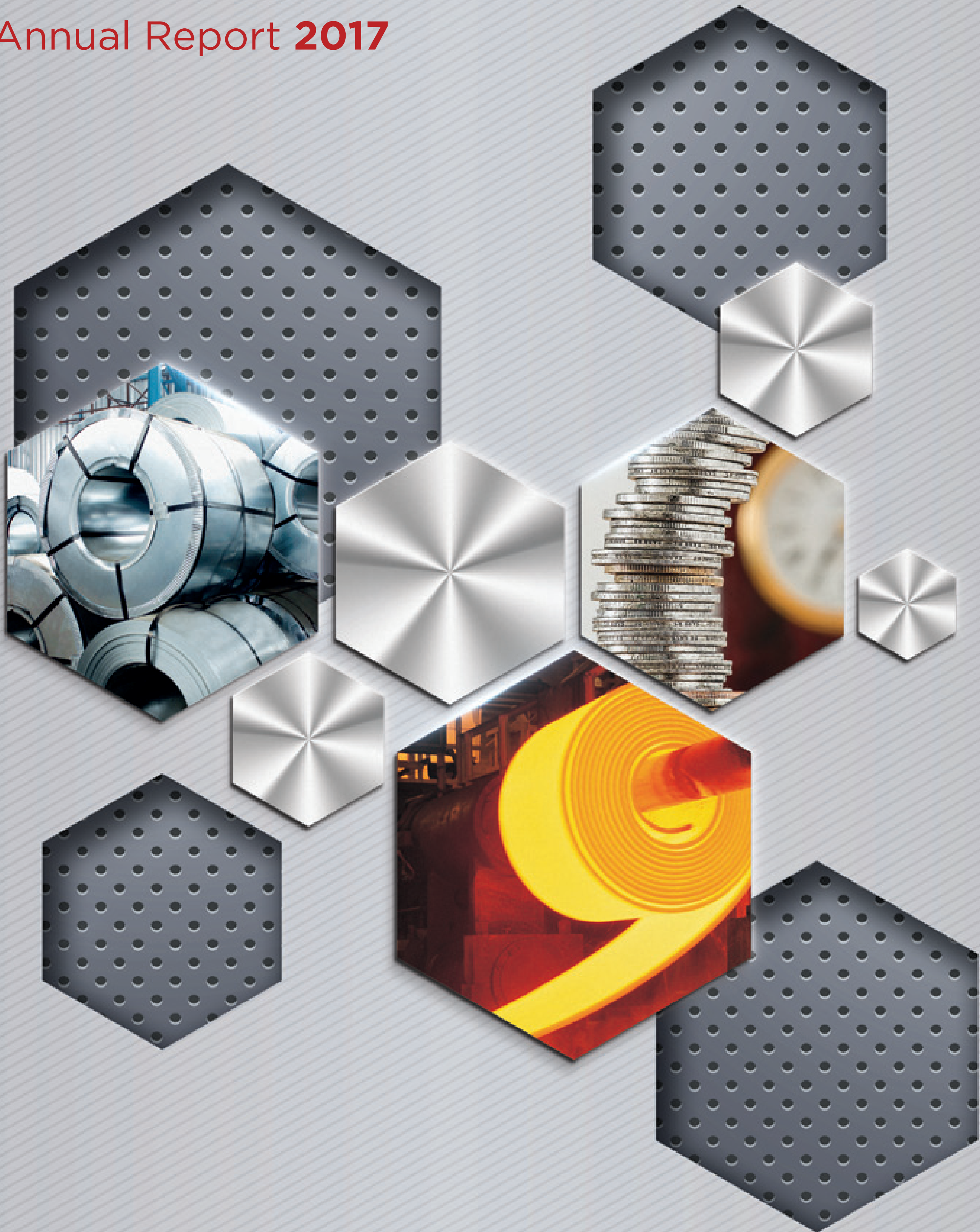
德龙控股

DELONG HOLDINGS

Annual Report 2017



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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.

Chairman's Letter to Shareholders

> "Despite the persisting weak steel market sentiments, Delong's commitment to growth paid off, delivering an eight-fold jump in profit attributable to equity holders of the Company to RMB2.1 billion for FY2017, from RMB0.2 billion a year ago."

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of Delong Holdings Limited ("Delong" or the "Company", together with its subsidiaries, the "Group"), it is my pleasure to present you our Annual Report for the financial year ended 31 December 2017 ("FY2017").

Delong, with a core business in the production of steel products, continued to experience challenges in 2017 as steel market sentiments remained weak in the People's Republic of China (the "PRC") and the rest of the world. Nevertheless, despite challenges in our business environment, the year 2017 marked a significant year of investment and progress for Delong. Our commitment to growth paid off, with the Group delivering an eight-fold jump in profit attributable to equity holders of the Company to RMB2.1 billion for FY2017, from RMB0.2 billion a year ago ("FY2016").

With our core operations firmly rooted in Delong's steel manufacturing core competencies, we actively sought opportunities to deploy our capital for growth-generative opportunities, both domestically and overseas. A key highlight for the review year was our successful entry into a joint-venture agreement with two partners to invest in and construct a steel plant in Indonesia, which I believe will usher in new growth and greater opportunities for Delong's steel business.

FY2017 Financial Review

The Group registered revenue growth of 29.9% to RMB12.8 billion in FY2017, from RMB9.9 billion in the preceding financial year. The strong revenue growth was attributed to a significant increase in average selling prices of our key Hot-rolled Coil ("HRC") products, as supplies tightened following the PRC Government's supply-side reform measures mooted in 2016, which has to-date eliminated some 115 million tons of steel capacity as well as an additional 140 million tons of substandard steel capacity (steel scrap)[1]. From a demand viewpoint, heightened levels of infrastructure and construction activities in the PRC were key contributors to the price increase.

Overall sales volume increased marginally by 0.2% to 3.93 million tonnes in FY2017, due mainly to the cessation of operations at the Group's subsidiary, Laiyuan County Aoyu Steel Co., Ltd. ("Aoyu Steel") since August 2017, and partially due to routine maintenance exercises at Delong's blast furnaces. For FY2017, the Group sold 3.93 million tonnes of its higher-grade HRC products and just 486 tonnes of steel billets, compared to 3.92 million tonnes of HRC and 456 tonnes of steel billets in FY2016.

On the costs front, total cost of sales rose 20.1% to RMB10.1 billion in FY2017, from RMB8.4 billion a year ago, largely driven by higher iron ore prices during the review period. Accordingly, the Group reported a higher gross profit of RMB2.7 billion for FY2017, an 86.3% increase from RMB1.5 billion a year ago. Gross profit margins correspondingly rose 6.5 percentage points to 21.3% in FY2017, from 14.8% in FY2016.

Distribution and marketing expenses rose 14.9% to RMB88.0 million in FY2017, from RMB76.6 million previously, primarily due to higher transportation costs associated with the delivery of HRC products to customers. Administrative expenses increased by 43.8% to RMB374.3 million in FY2017, from RMB260.4 million in FY2016, as

[1]http://english.gov.cn/policies/policy_watch/2018/01/25/content_281476024981972.htm

additional research and development expenses were incurred for product development, payment of applicable exit fees following the cessation of Aoyu Steel's operations in August 2017 as well as higher legal and professional fees incurred for the Group's projects.

Finance expenses were 33.6% lower at RMB153.1 million in FY2017, from RMB230.4 million in FY2016, due mainly to lower interest expenses incurred on notes payables and notes redemption in FY2017 as compared to the previous corresponding period.

As a result of the above, the Group delivered a higher net profit after tax of RMB2.1 billion in FY2017 compared to RMB209.3 million in FY2016. Net profit margin was healthy at 16.1% for FY2017.

Operational and Business Development Updates

The year 2017 saw the PRC Government progress unabated in promulgating its supply-side structural reforms, which translated into continuing capacity-side reductions for the steel sector. This inevitably affected Delong, being a major domestic steel manufacturer, which resulted in the forced shutdown of our Aoyu Steel production facility in August 2017, as well as an extended production hiatus at two blast furnaces at our Xingtai facility, stretching from 1 December 2017 to mid-March 2018.

As outlined at the start of my letter, it remains our firm commitment to source growth-generative opportunities for the benefit of Delong's shareholders, and to this end, I am pleased to share that the development of the Group's first steel facility in Indonesia – a 45%-owned joint-venture steel project - is currently underway, and is expected to complete and be operational by late 2018. This latest development is the result of a joint-venture partnership with established partners – Shanghai Decent Group from the PRC and PT. Indonesia Morowali Industrial Park ("Morowali") from Indonesia. The new facility, which will have an annual production capacity of 3.5 million tonnes, is located at Tsingshan Park, an industrial park developed by Morowali, situated at Bahadopi Village, Morowali County, Central Sulawesi Province, Indonesia, with full auxiliary facilities for nickel mining and smelting, as well as stainless steel manufacturing.

To enable our pursuit of the joint-venture project in Indonesia, and to further expand our growing investment and asset management businesses, the Group had on 18 December 2017 convened an EGM to seek shareholders' approval for these growth initiatives. I must thank our shareholders for their unyielding support, granting us the necessary mandates to pursue these opportunities.

It remains our strategy to explore and evaluate earnings-accretive acquisitions and/or investments for the long-term benefit of shareholders.

To further diversify our earnings stream and expand Delong's business, we will also continue to selectively engage in opportunities to 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.

Growing Sustainability

As a major private steel producer, we are cognizant of the direct and indirect impacts of our business operations to the environment. Accordingly, environmentally responsible behavior is an essential part of Delong's philosophy, and forms an important cornerstone of our business strategies. To this end, and also to align with the steel industry's rising environmental standards, we have continually invested in technological upgrades and enhancements, which are directed at reducing emissions, improving energy efficiencies and the recycling/reuse of waste materials. Such technological enhancements, undertaken from time to time, also strengthen the production efficiency of the Group's facility, thereby reducing operating costs.

Appreciations

In closing, to our customers, suppliers and business associates, I would like to extend my sincere appreciation for your continuing support. I must express immense gratitude to our Board of Directors for their guidance and counsel, their collective experience and invaluable knowledge continues to enable us to seize the best opportunities for sustainable growth. I am also grateful to Delong's management team and employees for your hard work and dedication.

I would like to also extend heartfelt gratitude and thanks to Mr. Zuo Shuowen, who had stepped down as an Executive Director of the Group in July 2017. Mr. Zuo had contributed much to the Group during his tenure as a director. Also, I warmly welcome Mr. Wu Yujie as an Executive Director to our Board, and am confident that he will bring meaningful value to the Group.

I look forward to working with each and every one of you in the many years to come. Last but not least, to our valued shareholders, thank you for the confidence and belief in us. We are committed to striving for stronger growth and delivering long-term value to all our stakeholders.

DING LIGUO
Executive Chairman

Board of Directors

Mr Ding Liguo, age 48

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 57

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. Yuan Weimin, age 59

Mr Yuan was appointed as Non-Executive Director on 16 April 2008. He was nominated to the Board by Evraz S.A Group. He is currently a general manager of Shanghai Besteel Imp. & Exp. Co., Ltd. Between 1992 and 1994, he was a sales manager with Mannesmann Demag Shanghai Representative Office. Between 1988 and 1991, he was an Assistant Chief Engineer with Shanghai Metallurgical Industry Authority Bureau. Mr Yuan received a Bachelor of Engineering from the Shanghai Industry University in the PRC.

Mr Lai Hock Meng, age 62

Mr. Lai is the lead Independent Non-Executive 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 Dragon Group International Ltd and a non-executive director of Champ Buyout III Pte Ltd and Riverside Partners Asia Pte Ltd. Mr. Lai has more than 35 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.

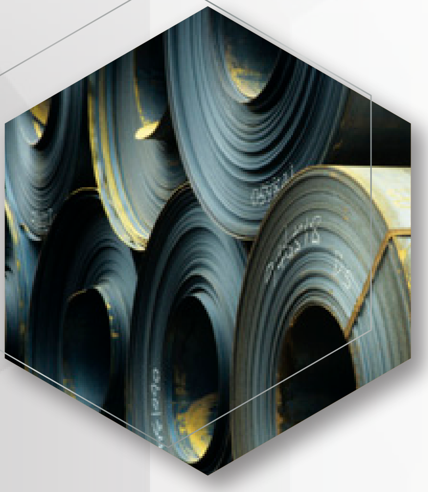
Mr Wu Geng, age 46

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 has more than 17 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 71

Mr Wang is an Independent Non-Executive 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 from 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 Finance 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 Jian Xun 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.

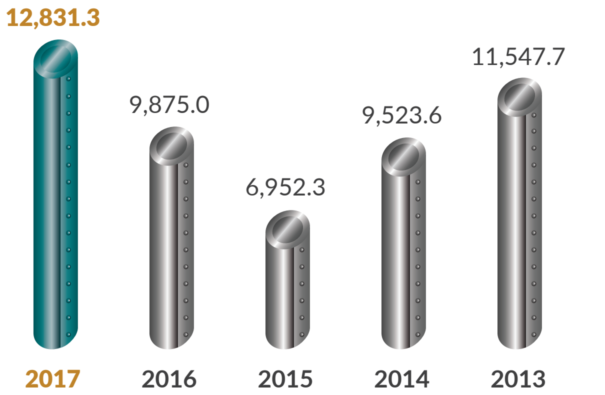
		FY2017	FY2016	FY2015	FY2014	FY2013
Profitability- measures ability to generate earnings						
Revenue	RMB'M	12,831.3	9,875.0	6,952.3	9,523.6	11,547.7
Profit/(loss) before tax	RMB'M	2,556.6	308.7	(423.1)	170.7	14.6
Proift/(loss) after tax	RMB'M	2,069.9	209.3	(431.3)	94.9	(21.5)
Profit/(loss) attributable to shareholders	RMB'M	2,069.9	213.0	(392.8)	100.9	(27.1)
EBITDA	RMB'M	3,033.0	1,604.6	194.6	861.5	696.5
Liquidity - measures ability to meet debt obligations						
Working capital	RMB'M	2,013.8	327.3	(1,073.8)	(323.6)	(63.7)
Operating cash flow	RMB'M	3,616.7	1,466.1	291.5	1,873.4	155.0
Free cash flow	RMB'M	2,766.1	721.6	(344.9)	1,321.5	(373.2)
Efficiency - measures efficiency of using fund and managing assets						
Total assets	RMB'M	9,926.0	7,875.5	7,829.9	8,228.1	7,349.8
Shareholders' funds	RMB'M	4,578.8	2,544 .4	2,293.8	2,683.9	2,588.1
Return on assets	%	20.9	2.7	-	1.2	-
Return on shareholders' funds	%	45.2	8.4	-	3.8	-
Debt leverage - measures capital employed and financial leverage						
Total borrowings	RMB'M	2,412.3	3,825.9	3,860.4	3,797.3	3,013.5
Net borrowings	RMB'M	(835.1)	1,287.2	2,143.7	1,539.6	2,016.5
Gross gearing	Times	0.53	1.50	1.64	1.36	1.15
Net gearing	Times	-	0.51	0.91	0.55	0.77
Shareholders' return - measures wealth creation for shareholders						
Earnings/(losses) per share	RMB	18.79	1.93	(3.57)	0.92	(0.25)
Net assets value per share	RMB	41.56	23.09	20.82	24.36	23.49

Definitions:

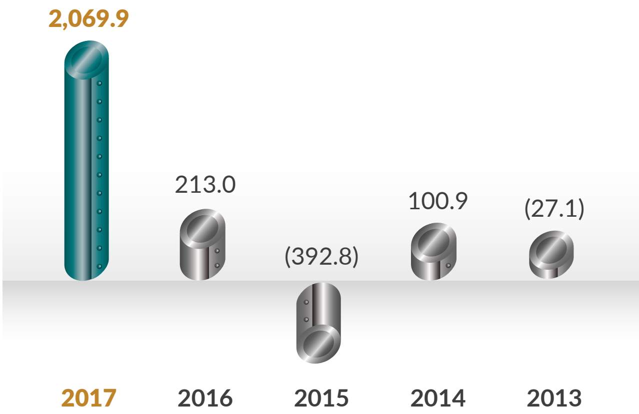
1. Free cash flow= operating cash flow + investing cash flow
2. Return on asset = profit after tax/total assets
3. Return on shareholders' funds = profit attributable to shareholders/shareholders' fund
4. Gross gearing = total borrowings(including notes payables)/total equity; Net gearing = net borrowings/total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

Financial Highlights

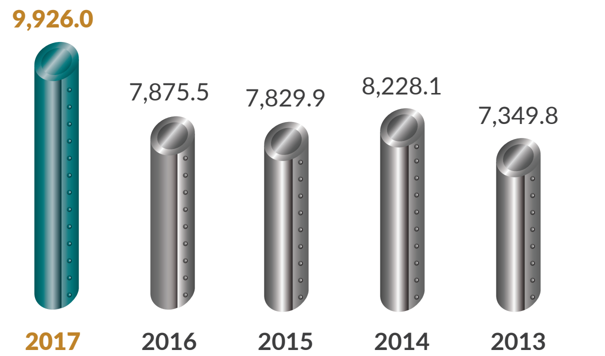
REVENUE
RMB'M



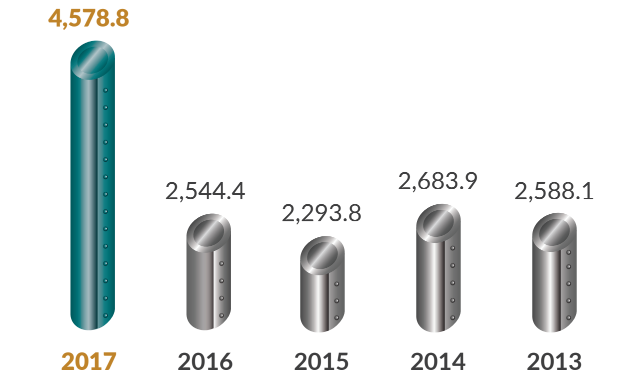
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS
RMB'M



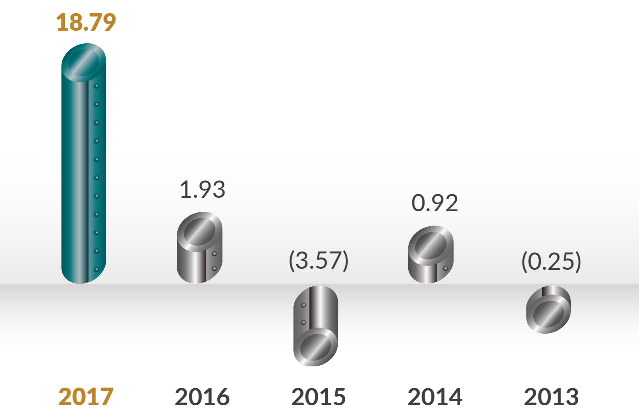
TOTAL ASSETS
RMB'M



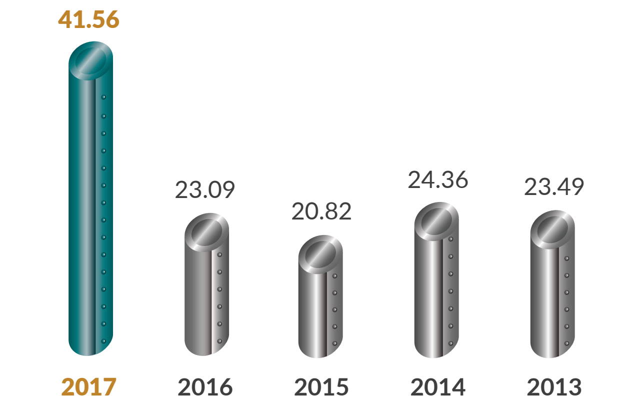
SHAREHOLDERS' FUNDS
RMB'M



EARNINGS/(LOSSES) PER SHARE
RMB



NET ASSETS VALUE PER SHARE
RMB



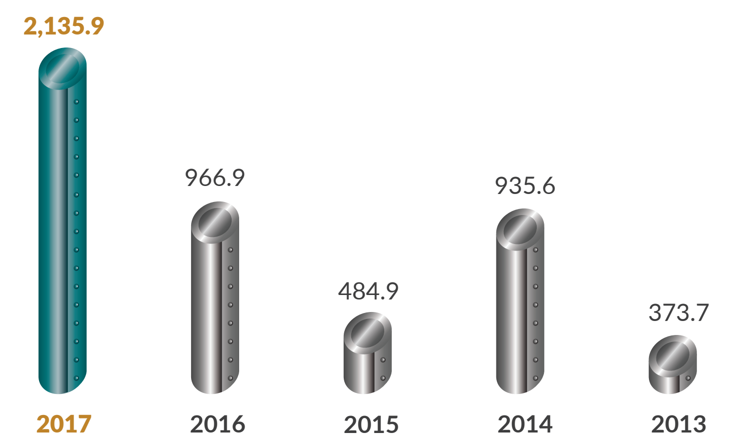
CASH FLOW AND LIQUIDITY

The Group maintains a strong balance sheet (Statement of Financial Position) 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.

FINANCIAL PERFORMANCE

As at 31 December 2017, credit facilities in the form of short-term loans, letter of credit and other bank facilities provided by major banks to the Group amounted to RMB7,065.0 million of which RMB2,438.3 million was utilised.

CASH AND CASH EQUIVALENTS
RMB'M



Overall, the Group's cash and cash equivalents increased by approximately RMB1,169.0 million in FY2017 to RMB2,135.9 million as compared to approximately RMB966.9 million.

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 FY2017 was mainly due to an increase in operating profit.

Net cash used in investing activities was mainly related to on-going technical enhancements to upgrade production facilities and RMB446.4 milion capital contribution to the Group's 45%-owned joint-venture steel project in Indonesia.

Net cash used in financing activities was RMB1,566.6 million, reflecting a net loan repayment of RMB1,413.6 million and interest payment of approximately of RMB153.1 million.

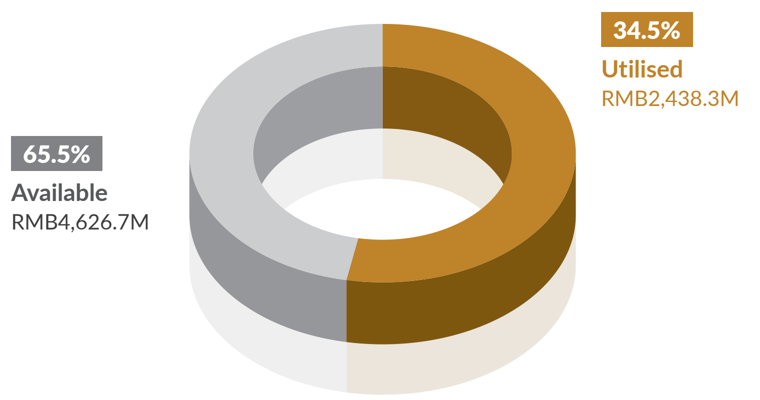
	2017 RMB'000	2016 RMB'000
Net Cash from operating activities	3,616,747	1,466,143
Net Cash used in investing activities	(850,627)	(744,535)
Net Cash used in financing activities	(1,566,639)	(264,324)
Net increase in cash and cash equivalents	1,199,481	457,284
Cash and cash equivalents as at end of year	**2,135,871**	966,932

BORROWINGS

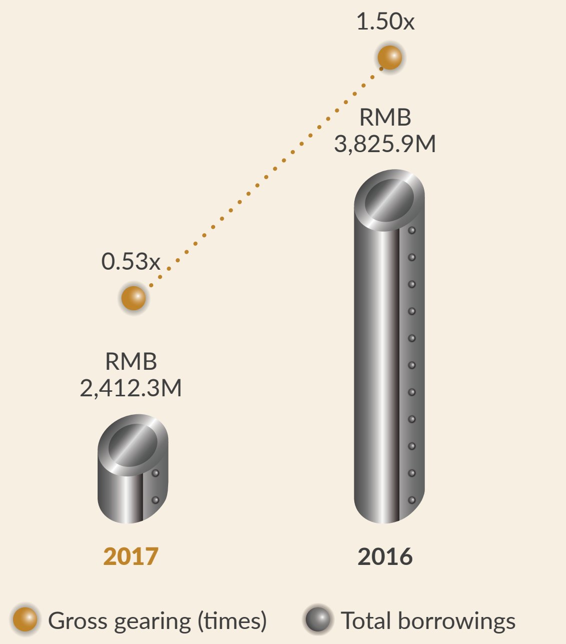
As at 31 December 2017, the Group had approximately RMB2,412.3 million of borrowings comprising notes payables of RMB1,159.1 million, short term borrowings of RMB955.8 million and long-term borrowings of RMB297.4 million. The Group's short and long-term borrowings were fully secured and guaranteed. The borrowings were obtained mainly for financing capital expenditures and working capital purposes.

TOTAL CREDIT FACILITY

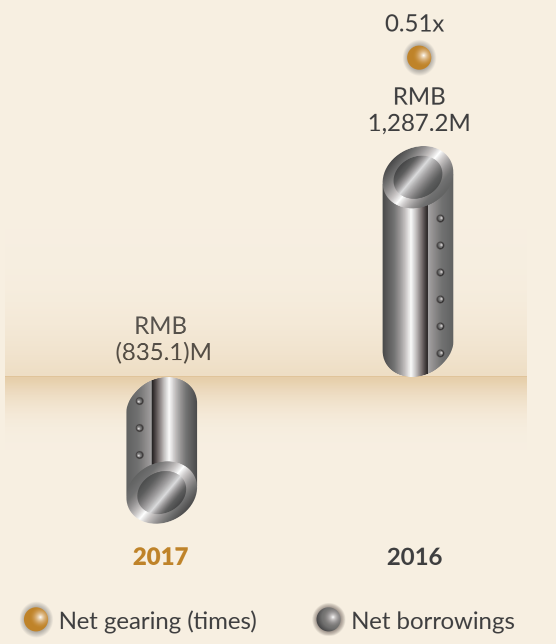
(RMB7,065.0 MILLION)



GROSS GEARING



NET GEARING



As at 31 December 2017, there were corporate guarantees given by the Group to financial institutions for banking facilities extended to third parties amounting to approximately RMB295.1 million (FY2016: RMB475.1 million).

Legal Representative

(1) Mr Ding Liguo
(2) Ms Lan Jihong
(3) Mr Wu Yujie

Corporate Profile

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 3,612 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 485 to 1,150 mm in width and 1.2 to 20.0 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 2017, 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.

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 the 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 29 April 2015)

Wu Yujie
Executive Director and Non-Independent
First appointed: 1 July 2017

Yuan Weimin
Non-Executive Director and Non-independent
First appointed: 16 April 2008
(re-appointed on 27 April 2017)

Wu Geng
Non-Executive Director and Independent
First appointed: 15 May 2017

Lai Hock Meng
Non-Executive Director and Independent
First appointed: 15 June 2007
(re-appointed on 29 April 2015)

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

55 Market Street
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. Toh Yew Kuan Jeremy
(Appointed since 2017)

PRINCIPAL BANKERS

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

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 2017 ("FY2017") 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

To facilitate the ease, frequency and speed of Board meetings, the Company's Constitution allow Board members to attend meetings via any electronic or telegraphic methods of simultaneous communication including via tele-conference.

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	**7**	**4**	**1**	**1**
Number of Meetings Attended				
Directors:				
Ding Liguo	6	3	NA	NA
Wu Yujie	4	3	NA	NA
Lai Hock Meng	7	4	1	1
Wu Geng	4	3	1	1
Yuan Weimin	7	4*	NA	NA
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 and disposal of assets;

(ii) corporate exercise;

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

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

(v) 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 directors, Mr Wu Geng and Mr Wu Yujie upon their appointment during the financial year, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

PRINCIPLE 2: INDEPENDENT ELEMENT ON THE BOARD

Guideline 2.1

Independent Element Of the Board

The Board comprises six 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.

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.

Guideline 2.3

Independence Of Directors

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. For key information relating to the directors, please refer to the particulars of the Directors as set out on pages 4 and 5. The dates of the first appointment and last re-appointment of each director are provided in the corporate information section on page 14.

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 their independence to a particularly rigorous review.

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	–	–	–
Yuan Weimin (Non-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

To assist the NC in its annual review of the directors' mix of skills and experiences that the Board requires to function competently and efficiently, all directors submitted a Director Competency Form, providing information of their areas of specialization and expertise. The NC, having reviewed the completed forms, 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, Mr Ding Liguo, plays an instrumental role in developing the business of the Group and provides the Group with strong leasdership 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 the Article 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, Article 88 of the Company's Constitution provides that a director appointed during the year will hold office only until the next AGM and will be eligible for re-election.

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 4.4

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

Directors who are seeking re-appointment at the forthcoming AGM to be held on 27 April 2018 are stated in the Notice of AGM set out on pages 112 to 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. The Board was satisfied with the results of the assessment for FY2017.

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 office 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: PRPCEDURES 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), 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.

Guideline7.4

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 taking 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 2017 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 2017 is as follows:

Remuneration band & name of director	Status	Director's fees	Salary	Bonus	Total
S$900,000 - S$999,999					
Ding Liguo	EC	–	100%	–	100%
S$100,000 -S$199,999					
Wu Yujie	ED	–	100%	–	100%

Remuneration band & name of director	Status	Director's fees S$	Salary	Bonus	Total S$
Lai Hock Meng	LD, ID	75,000	-	-	75,000
Wu Geng	ID	40,625	-	-	40,625
Yuan Weimin	NID	60,000	-	-	60,000
Wang Tianyi	ID	65,000	-	-	65,000
Hee Theng Fong*	ID	21,667	-	-	21,667

Legend:

EC : Executive Chairman
ED : Executive Director
*resigned on 27 April 2017

LD : Lead Independent Director
NID : Non-Independent Director
ID : Independent Director

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 2017 is set out below:

Name of Top 4 Management Personnel	Salary	Bonus	Benefits	Total	Total remuneration in compensation bands of S$100,000
Lan Jihong	75%	25%	-	100%	S$300,000-S$399,999
Yeo Lee Luang	75%	25%	-	100%	S$200,000-S$299,999
Sun Jian Xun	100%	-	-	100%	Below S$99,999
Liu Guoqi	100%	-	-	100%	Below 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 2017 was S$695,026. The Company only has 4 key management personnel.

The Company discloses the above information using a narrower band of S$100,000 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 73 to 81 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 2017 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 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 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.
- perform such other functions as the Board may determine.

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 had undertaken a review of all non-audit services provided by the Company's auditor 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 $843,000.

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

External Auditor Fees for FY2017	S$'000	% of Total Fees
Total Audit Fees	688	82
Total Non-Audit fees	155	18
Total Fees Paid	843	100

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 ARC 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.

Since 2011, the Company has engaged PricewaterhouseCoopers Business Advisory Services Pte Ltd ("PwC") to perform a limited review on internal controls over the Group's cash and bank management, promissory notes management etc on a yearly basis of our main subsidiaries in the PRC. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the ARC. A copy of the report is also issued to the relevant department for its follow-up actions.

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.

Guideline14.3

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 Company does not have a dividend policy at present.

The Board does not recommend that a dividend be paid for the year ended 31 December 2017 after taking into consideration the need to conserve cash for its working capital and the retention of its prior year's profits for investment into the future for long-term capital growth.

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 2017, 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 81 to 82 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.

FINANCIAL CONTENTS

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, 2017.

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 47 to 109 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, 2017, 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
Lai Hock Meng
Yuan Weimin
Wang Tianyi
Wu Geng (appointed on May 15, 2017)
Wu Yujie (appointed on July 1, 2017)

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	**–**	–	**64,163,500**	64,163,500

	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
Ultimate holding company Honest Joy International Ltd (Ordinary shares of US$1 each)				
Ding Liguo	**700**	700	**300**	300
Immediate holding company Best Decade Holdings Limited (Ordinary shares of US$1 each)				
Ding Liguo	**–**	–	**1,000**	1,000

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, 2018 were the same as at December 31, 2017.

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company was granted.

(b) Options exercised

During the financial year, there were no shares of the Company 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 under options.

5 AUDIT COMMITTEE

The Audit 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 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 independent experts;
- 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 jurisdictons;
- 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 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 Committee.

The Audit 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

April 3, 2018

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, 2017, 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 47 to 109.

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 Financial Reporting Standards in Singapore ("FRSs") 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, 2017 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	How the audit matter was addressed in the audit
Impairment review of available-for-sale financial assets At the end of each reporting period, the Group is required to assess whether there is any objective evidence that available-for-sale financial assets is impaired. The identification of impairment events, and the basis and determination of the quantum of impairment charge, requires the application of judgement by management. Inappropriate judgements made in the assessment of the recoverable amounts could have a significant impact on the value of the assets and therefore could affect the financial results of the Group. The Group has made disclosures on the impairment of investment in available-for-sale financial assets in Note 3 to the financial statements, and further information related to the available-for-sale financial assets is provided in Note 15.	Our audit procedures focused on evaluating and challenging the key estimates used by management in the valuation of available-for-sale financial assets. These procedures include: ● Evaluating the design and implementation of key controls over Group's valuation of available-for-sale financial assets; ● Assessing management's assumptions used in their impairment review and corroborated our understanding with external data where available or other supporting documents; and ● Engaging the internal specialist to review the appropriateness of the basis used by management to calculate the present value of the estimated future cash flows, including the discount rate.

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 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, 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 FRSs, 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 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

April 3, 2018

31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**2,135,871**	966,932	**2,127**	7,585
Bank balances pledged	7	**1,111,559**	1,571,779	**–**	–
Held for trading investments	8	**982,927**	725,943	**–**	–
Held-to-maturity financial asset	9	**30,000**	371,050	**–**	–
Trade and other receivables	10	**928,412**	570,020	**188,603**	220,270
Inventories	12	**812,037**	552,518	**–**	–
Other assets	13	**972,150**	672,066	**225**	88
Non-current assets held for sale	14	**67,672**	–	**–**	–
Total current assets		**7,040,628**	5,430,308	**190,955**	227,943
Non-current assets					
Other assets	13	**6,000**	–	**–**	–
Held-to-maturity financial assets	9	**6,512**	–	**–**	–
Available-for-sale financial assets	15	**233,448**	203,988	**–**	–
Investments in subsidiaries	16	**–**	–	**2,010,492**	1,984,916
Investment in an associate	17	**3,395**	4,001	**–**	–
Investment in a joint venture	18	**446,400**	–	**–**	–
Property, plant and equipment	19	**2,181,129**	2,229,273	**33**	63
Intangible asset	20	**–**	1,440	**–**	–
Deferred tax assets	21	**8,480**	6,508	**–**	–
Total non-current assets		**2,885,364**	2,445,210	**2,010,525**	1,984,979
Total assets		**9,925,992**	7,875,518	**2,201,480**	2,212,922
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	22	**2,563,115**	1,442,102	**7,580**	5,280
Borrowings and notes payables	23	**2,114,894**	3,621,011	**10**	10
Provision for taxation		**348,844**	39,879	**–**	–
Total current liabilities		**5,026,853**	5,102,992	**7,590**	5,290
Non-current liabilities					
Borrowings	23	**297,452**	204,906	**22**	32
Deferred tax liabilities	21	**22,889**	23,249	**–**	–
Total non-current liabilities		**320,341**	228,155	**22**	32
Total liabilities		**5,347,194**	5,331,147	**7,612**	5,322
Net assets		**4,578,798**	2,544,371	**2,193,868**	2,207,600
Capital and reserves					
Share capital	25	**406,644**	406,644	**2,112,480**	2,112,480
Capital reserve	26	**261,613**	261,613	**249,218**	249,218
Fair value reserve	26	**(23,536)**	(304)	**–**	–
Currency translation reserve		**11,177**	23,424	**–**	–
Statutory reserve	26	**141,072**	141,072	**–**	–
Retained earnings (Accumulated losses)	26	**3,781,828**	1,711,922	**(167,830)**	(154,098)
Equity attributable to owners of the Company and total equity		**4,578,798**	2,544,371	**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 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Revenue	27	**12,831,279**	9,874,981
Cost of sales	30	**(10,102,751)**	(8,410,749)
Gross profit		**2,728,528**	1,464,232
Other income	28	**141,240**	88,948
Other gains (losses) - net	29	**302,748**	(676,832)
Distribution and marketing costs	30	**(87,990)**	(76,576)
Administrative expenses	30	**(374,298)**	(260,351)
Finance costs	31	**(153,066)**	(230,361)
Share of loss of an associate	17	**(606)**	(339)
Profit before tax		**2,556,556**	308,721
Income tax expenses	32	**(486,650)**	(99,398)
Profit for the year	33	**2,069,906**	209,323
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**(12,247)**	6,753
Fair value changes on available-for-sale financial assets	15	**(23,232)**	22,794
Other comprehensive (loss) income for the year, net of tax		**(35,479)**	29,547
Total comprehensive income for the year		**2,034,427**	238,870
Profit attributable to:			
Owners of the Company		**2,069,906**	213,030
Non-controlling interests		**–**	(3,707)
		2,069,906	209,323
Total comprehensive income attributable to:			
Owners of the Company		**2,034,427**	238,670
Non-controlling interests		**–**	200
		2,034,427	238,870
Earnings per share	34		
(expressed in RMB per share)			
- Basic		**18.79**	1.93
- Diluted		**18.79**	1.93

See accompanying notes to financial statements.

	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, 2016	**406,644**	**261,613**	**(23,098)**	**8,650**	**141,072**	**1,498,892**	**2,293,773**	**55,077**	**2,348,850**
Total comprehensive income for the year:									
Profit (Loss) for the year	–	–	–	–	–	213,030	213,030	(3,707)	209,323
Other comprehensive income	–	–	22,794	2,846	–	–	25,640	3,907	29,547
Total	–	–	22,794	2,846	–	213,030	238,670	200	238,870
Disposal of a subsidiary (Note 24), representing transaction with owners, recognised directly in equity	–	–	–	11,928	–	–	11,928	(55,277)	(43,349)
Balance as at December 31, 2016	**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**

See accompanying notes to financial statements.

Statement of Changes in Equity (cont'd)

Year Ended 31 December 2017

	Share capital RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Company				
Balance at January 1, 2016	2,112,480	249,218	(152,769)	2,208,929
Loss for the year, representing total comprehensive loss for the year	–	–	(1,329)	(1,329)
Balance at December 31, 2016	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

See accompanying notes to financial statements.

Year Ended 31 December 2017

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Operating activities			
Profit for the year		**2,069,906**	209,323
Adjustments for:			
Income tax expenses	32	**486,650**	99,398
Depreciation	19	**321,919**	459,735
Amortisation of intangible assets	20	**1,440**	5,760
Impairment loss for property, plant and equipment	19	**–**	600,000
Allowance for inventories - net	12, 29	**–**	37,867
Allowance for doubtful debts	10, 29	**–**	2,903
Loss on disposal of property, plant and equipment	29	**47,493**	13,318
Refundable deposit written off	29	**–**	20,791
Fair value (gain) loss on held for trading investments	29	**(3,479)**	825
Impairment loss for available-for-sale financial assets	29	**50,000**	45,000
Share of loss of an associate	17	**606**	339
Loss on disposal of subsidiary	24, 29	**–**	3,416
Interest income	28	**(120,398)**	(72,801)
Dividend income	28	**(13,137)**	(113)
Interest expenses	31	**153,066**	230,361
Operating cash flow before movements in working capital		**2,994,066**	1,656,122
Bank balances pledged		**460,220**	(133,902)
Receivables		**(649,207)**	18,837
Inventories		**(259,519)**	(123,489)
Payables (Note A)		**1,251,204**	76,109
Cash generated from operations		**3,796,764**	1,493,677
Income taxes paid		**(180,017)**	(27,534)
Net cash from operating activities		**3,616,747**	1,466,143
Investing activities			
Payments for property, plant and equipment (Note A)		**(620,098)**	(69,451)
Proceeds from disposal of available-for-sale financial assets		**–**	14,696
Proceeds from disposal of property, plant and equipment		**103,995**	11,077
Purchase of investments held for trading		**(253,505)**	(493,895)
Purchase of available-for-sale financial assets	15	**(102,692)**	(83,351)
Purchase of held-to-maturity financial assets		**–**	(171,050)
Proceeds from held-to-maturity financial assets		**334,538**	–
Investment in joint venture		**(446,400)**	–
Disposal of a subsidiary	24	**–**	(25,475)
Interest received		**120,398**	72,801
Dividend received		**13,137**	113
Net cash used in investing activities		**(850,627)**	(744,535)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows (cont'd)

Year Ended 31 December 2017

	Note	Group 2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from borrowings from banks, non-controlling shareholders and other financial institutions		**1,731,952**	2,901,089
Repayment of borrowings from banks and other financial institutions		**(3,145,525)**	(2,935,052)
Interest paid		**(153,066)**	(230,361)
Net cash used in financing activities		**(1,566,639)**	(264,324)
Net increase in cash and cash equivalents		**1,199,481**	457,284
Cash and cash equivalents at the beginning of the year		**966,932**	484,864
Effects of currency translation on cash and cash equivalents		**(30,542)**	24,784
Cash and cash equivalents at the end of the year (Note 6)		**2,135,871**	966,932

Note A:

In 2017, total additions of property, plant and equipment was RMB492,964,000 (2016 : RMB232,624,000) and an amount of RMB1,779,000 (2016 : RMB128,913,000) remained unpaid as at end of the reporting period.

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, 2017 were authorised for issue by the Board of Directors on April 3, 2018.

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 Financial Reporting Standards in Singapore (“FRSs”).

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 FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 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)

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2017, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the group and the company are to apply 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.

Management has completed their assessment of the potential impact arising from SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, and has concluded that there are no changes to the Group's current accounting policies or material adjustments required on transition to the new framework.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the group and the company in the periods of their initial application under the new SFRS(I) framework:

- SFRS(I) 9 *Financial Instruments*[1]
- SFRS(I) 15 *Revenue from Contracts with Customers*[1]
- SFRS(I) 16 *Leases*[2]
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*[1]

1 Applies to annual periods beginning on or after January 1, 2018

2 Applies to annual periods beginning on or after January 1, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above SFRS(I), SFRS(I) INT and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Management evaluated the potential effect of the above changes based on the existing profile of financial instruments as follows:

(i) Debt investments held in portfolios managed by external fund managers are classified as held for trading will continue to be FVTPL;

(ii) All the equity investment held as available for sale will be measured at FVTOCI, with only dividend income recognised in profit or loss;

(iii) At December 31, 2017, there were no debt investments held as available for sale which would qualify for FVTOCI upon adoption of SFRS(I) 9; and

(iv) The expected credit loss model will result in a change in timing and basis of estimating doubtful debts. Historically, the Group has low incidence of doubtful debt from operations and future change to the expected credit risk model is not expected to have a significant effect on operating results.

The Group currently has no financial derivatives subject to hedge accounting.

Management will continue to evaluate the potential effect of SFRS(I) 9 if necessitated by changes in the profile of financial instruments, customers or payment modes in future.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management has performed a detailed analysis of the requirements of the initial application of SFRS(I) 15. Management anticipates that the adoption of SFRS(I) 15 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 *Leases*

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 exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

The management has yet to complete its detailed assessment of the possible impact of implementing SFRS(I) 16. The Group does not have significant operating leases at the end of the reporting period (Note 38). Accordingly, management anticipates that there is no material impact on the Group's financial statements in the period of initial application except for additional disclosure requirements.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 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 FRSs). 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 FRS 39, when applicable, the cost on initial recognition of an investment in an associate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the Company's financial statements, investments in subsidiaries 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *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 FRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 INSTRUMENT - 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.

<u>Effective interest method</u>

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

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.

<u>Financial assets at fair value through profit or loss (FVTPL)</u>

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 (losses) - 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 changes on available-for-sale financial assets. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables and notes payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or when they expire.

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 FRS 105. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 FRS 39 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 FRS 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 FRS 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 FRS 39. 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods and scrap materials

Revenue from the sale of goods and scrap materials is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 foreign 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 foreign 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.

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

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.

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.

<u>Impairment review of available-for-sale investments</u>

The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance that the investee is operating in, changes in technology and operational and financing cash flows. As the evaluation is based on both prospective financial information and non-financial factors that are beyond the investees' and management's control, it requires considerable judgement and is highly subjective. Accordingly, actual outcome could be different from that anticipated since forecasted events and judgment taken by management on the industry and sector performance may not occur as expected. Based on management's judgement and estimates at December 31, 2017, an impairment loss of RMB50 million (2016: RMB45 million) is determined by comparing the carrying amount of cost against the Group's share in the net asset of the investee, which according to management, is the best estimate of the recoverable amount. The fair values of available-for-sale investments are disclosed in Note 15 to the financial statements.

<u>Allowance for inventories</u>

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.

<u>Allowance for doubtful trade and other receivables</u>

The Group and Company make allowances for bad and doubtful debts based on on-going evaluation of collectability and aging analysis of individual receivables by reference to their past default experience. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of the Group's and Company's trade and other receivables are disclosed in Note 10 to the financial statements.

<u>Useful lives of property, plant and equipment</u>

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.

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

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 Note 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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**4,802,193**	3,488,778	**190,955**	227,920
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	**–**	–
Total	**6,055,080**	4,789,759	**190,955**	227,920
Financial liabilities				
At amortised cost	**3,851,145**	4,690,778	**7,612**	5,322

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

(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, 2017			
Assets	61,649	573,078	13,020
Liabilities	188	7,530	7,810
At December 31, 2016			
Assets	60,474	593,641	10,909
Liabilities	–	37,591	6,288

	USD RMB'000	SGD RMB'000
Company		
At December 31, 2017		
Assets	79	2,246
Liabilities	–	7,612
At December 31, 2016		
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.

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

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

If the value of HKD, USD and SGD had changed against the RMB by 3% (2016 : 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position would have been as follows:

	2017	2016
	Profit after tax	Profit after tax
	RMB'000	RMB'000
Group		
HKD against RMB		
- strengthened	**1,383**	1,361
- weakened	**(1,383)**	(1,361)
USD against RMB		
- strengthened	**12,725**	12,511
- weakened	**(12,725)**	(12,511)
SGD against RMB		
- strengthened	**117**	104
- weakened	**(117)**	(104)
Company		
USD against RMB		
- strengthened	**2**	149
- weakened	**(2)**	(149)
SGD against RMB		
- strengthened	**(134)**	(90)
- weakened	**134**	90

(ii) Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. 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 fair value interest rate risk and cash flow interest rate risk are 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 in RMB. If the interest rates had increased/decreased by 1% (2016 : 1%) with all other variables including tax rate being held constant, the profit after tax would have been higher/lower by RMB9,399,000 (2016 : RMB11,529,000) as a result of higher/lower interest expense on these borrowings.

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

(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 available-for-sale 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 had increased/decreased by 5% with all other variables including tax rate being held constant, the effect on profit after tax would have increased/decreased by RMB36,860,000 (2016 : RMB27,223,000).

If prices for the available-for-sale investments had increased/decreased by 5% (2016 : 5%) with all other variables including tax rate being held constant, the effect on fair value reserves would have increased/decreased by RMB1,999,000 (2016 : RMB3,007,000).

(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 major classes of financial assets of the Group and the Company are bank deposits and trade and other receivables and other assets. The Group has policies in place to ensure that sale of products are either under cash in advance or cash on delivery terms for new customers. Credit terms are only granted to customers with an appropriate credit history. Cash and cash equivalents of the Group are principally deposited with reputable banks in the People's Republic of China, Hong Kong and Singapore.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and by 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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate guarantees provided to banks on:				
- third parties' loans	**295,050**	475,050*	**–**	–

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate guarantees provided to bank on:				
- 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 corporate guarantees are recallable on demand by the banks.

The Group's credit exposure to Tangshan Delong Steel Co., Ltd at the end of the reporting period was as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Finance lease receivables (Note 11)	**–**	1,256
Corporate guarantees provided to banks on (Note 35):		
Tangshan Delong Steel Co., Ltd's loans	**60,000**	145,050
	60,000	146,306

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
By geographical areas				
People's Republic of China	**1,550,173**	911,512	**29,697**	55,167
Singapore	**4,099**	38,555	**159,131**	165,191
Hong Kong	**491**	–	**–**	–
	1,554,763	950,067	**188,828**	220,358
By types of customers				
Non-related parties	**1,554,763**	950,067	**358**	118
Subsidiaries	**–**	–	**188,470**	220,240
	1,554,763	950,067	**188,828**	220,358

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.

(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.

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

(v) Liquidity risk management (cont'd)

As at December 31, 2017, the Group has available committed credit facilities amounting to RMB4,626.7 million (2016 : 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.

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	Less than 1 year	Later than 1 year and not later than 5 years
	% per annum	RMB'000	RMB'000
Group			
At December 31, 2017			
Notes payables	–	1,159,092	–
Trade and other payables	–	2,563,115	–
Borrowings	5%	996,537	317,704
Financial guarantee contracts	–	295,050	–
At December 31, 2016			
Notes payables	–	2,288,711	–
Trade and other payables	–	1,442,102	–
Borrowings	4%	1,396,433	217,544
Financial guarantee contracts	–	525,050	–

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

(v) Liquidity risk management (cont'd)

	Weighted average effective interest rate	Less than 1 year	Later than 1 year and not later than 5 years
	% per annum	RMB'000	RMB'000
Company			
At December 31, 2017			
Trade and other payables	–	7,580	–
Borrowings	4%	12	24
At December 31, 2016			
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.

(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;

- 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; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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).

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

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

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, 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)				
Quoted equity shares	39,972	–	–	39,972
At December 31, 2016				
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)				
Quoted equity shares	60,136	–	–	60,136

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and notes payables approximate their fair values. The fair values of other borrowings approximate their carrying amounts. There were no transfers into or out of Level 3 in 2016 and 2017.

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.

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)

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

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net debt	**(835,084)**	1,287,206	**(2,095)**	(7,543)
Total equity	**4,578,798**	2,544,371	**2,193,868**	2,207,600
Total capital	**3,743,714**	3,831,577	**2,191,773**	2,200,057
Gearing ratio	**N.A.**	33.6%	**N.A.**	N.A.

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

For the year ended December 31, 2016, the Group entities had a donation to a charity trust whose founder is spouse of a director of the Company that amounted to RMB 100,000.

5b OTHER RELATED PARTY TRANSACTIONS (cont'd)

Trading transactions (cont'd)

As at December 31, 2016, the Group provided corporate guarantee 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. The corporate guarantee granted amounted to RMB50.0 million (Note 35) and was discharged in March 2017. Management has reviewed the list of corporate guarantees given as at December 31, 2017 and 2016 and confirmed that there has been no other corporate guarantees given to related or interested parties.

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

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Salaries and other short term employee benefits	**7,166**	8,183
Post-employment benefits - defined contributions plans	**1,501**	1,728
	8,667	9,911

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**1,941,404**	961,040	**2,127**	1,693
Fixed deposits	**194,467**	5,892	**–**	5,892
Cash and cash equivalents in the statement of cash flows	**2,135,871**	966,932	**2,127**	7,585

The average effective interest rate of the fixed deposits ranging from 0.6% to 1.20% (2016 : 0.31% to 1.2%) per annum and for a tenure of approximately 30 days (2016 : 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, notes payables (Note 23) and letter of credit facilities (Note 22).

Bank balances pledged bear average effective interest rate ranging from 1.30% to 1.55% (2016 : 1.30% to 1.55%) per annum.

8 HELD FOR TRADING INVESTMENTS

	Group	
	2017	2016
	RMB'000	RMB'000
Quoted equity shares, at fair value	**9,160**	8,578
Managed funds, at fair value	**973,767**	717,365
	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 comprise mainly funds managed by financial institutions.

9 HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	2017	2016
	RMB'000	RMB'000
Unquoted debt security, at amortised cost	**36,512**	371,050

The coupon rate of the unquoted debt security ranges from 5% to 7.5% (2016 : 1.1% to 7.0%) per annum and maturity date ranges from 3 to 13 months (2016 : 12 months).

	Group	
	2017	2016
	RMB'000	RMB'000
Analysed as:		
- Current	**30,000**	371,050
- Non-current	**6,512**	–
	36,512	371,050

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivables (Note 11)	**–**	1,256	**–**	–
Trade receivables - Third parties	**106,551**	135,280	**133**	31
Notes receivables (a)	**821,861**	433,484	**–**	–
Loans to subsidiaries (b)	**–**	–	**188,470**	220,239
	928,412	570,020	**188,603**	220,270

(a) Notes receivables in 2016 and 2017 are interest-free and repayable within 180 days.

(b) Loans to subsidiaries in 2016 and 2017 are unsecured, interest-free and repayable on demand.

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not past due and not impaired	**22,396**	38,444	**133**	31
Past due but not impaired (a)	**84,155**	96,836	**–**	–
Impaired receivables individually assessed (b)	**19,362**	19,362	**–**	–
Less: Allowance for doubtful debts	**(19,362)**	(19,362)	**–**	–
Total trade receivables, net	**106,551**	135,280	**133**	31

(a) Aging of trade receivables that are past due but not impaired:

	Group	
	2017	2016
	RMB'000	RMB'000
1 to 90 days	**84,155**	36,564
91 to 180 days	**–**	25,124
> 180 days	**–**	35,148
Total	**84,155**	96,836

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

10 TRADE AND OTHER RECEIVABLES (cont'd)

(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.

Movement of allowance for doubtful debts:

	Group	
	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	**19,362**	16,459
Increase in allowance recognised in profit or loss	**–**	2,903
Balance at end of the year	**19,362**	19,362

11 FINANCE LEASE RECEIVABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	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 are 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 the year ended December 31, 2016.

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 approximately their carrying amounts.

12 INVENTORIES

	Group	
	2017	2016
	RMB'000	RMB'000
Raw materials	**636,056**	374,126
Work-in-progress	**128,524**	133,192
Finished goods	**47,457**	45,200
	812,037	552,518

The cost of inventories recognised as an expense includes RMB Nil (2016: RMB37,867,000) in respect of write-down of inventory to net realisable value.

13 OTHER ASSETS

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**330,073**	239,701	**160**	23
Deposits	**556**	65	**65**	65
Entrusted loans to third parties (a)	**52,667**	107,667	**–**	–
VAT	**21,726**	52,318	**–**	–
Other receivables from Delong Thailand (c)	**–**	251,902	**–**	–
Commitment sum and bidding deposit for the proposed acquisition of Anhui Shoukuang (b)	**541,850**	–	**–**	–
Others	**31,278**	20,413	**–**	–
	978,150	672,066	**225**	88
Analysed as:				
Current	**972,150**	672,066	**225**	88
Non-current	**6,000**	–	**–**	–
	978,150	672,066	**225**	88

(a) The Group advanced RMB52.7 million (2016: RMB107.7 million) through a bank to 2 third parties (2016: 2 third parties). The loans are unsecured, bear interest rate ranging from 7.47% to 10% (2016: 7.47% to 10%) per annum and are due within the next twelve months. The loan agreement was renewed during the financial year.

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

(c) 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.

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 has been suspended and ceased during the financial year. 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.

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2017	2016
	RMB'000	RMB'000
Beginning of financial year	**203,988**	157,539
Additions	**102,692**	83,351
Disposal	**–**	(14,696)
Impairment loss	**(50,000)**	(45,000)
Change in fair value	**(23,232)**	22,794
End of financial year	**233,448**	203,988
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

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

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

Management has assessed the impairment loss of the investment based on the operating and financial performance of the investee. The impairment loss is determined by comparing the carrying amount of cost against the Company's share in the net asset of the investee, which according to management, is the best estimate of the recoverable amount. As of December 31, 2017, impairment loss of RMB50 million (2016 : RMB45 million) has been provided.

16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RMB'000	RMB'000
Unquoted equity shares, at cost	**2,010,492**	1,984,916

Details of the Company's subsidiaries at December 31, 2017 are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2017	2016	**2017**	2016	
		%	%	**%**	%	
Held by the Company						
Asia Paragon International Limited [(a)]	British Virgin Islands	**100**	100	**100**	100	Investment holding
Delong Asset Management (Hong Kong) Limited [(e)]	Hong Kong	**100**	–	**100**	–	Assets management
Dexin Steel Pte Ltd [(b)]	Singapore	**100**	100	**100**	100	Procurement and sale of iron ore
Held by Asia Paragon International Limited						
Delong Steel Limited [(c)]	PRC	**100**	100	**100**	100	Production and sales of hot-rolled coils
Dezhong International Finance Leasing Co., Ltd [(c)]	PRC	**100**	100	**100**	100	Finance leasing activities
Held by Dezhong International Finance Leasing Co., Ltd						
Xingtai Delei Fuel Trading Co., Ltd [(e)]	PRC	**80**	–	**80**	–	Construction and operation of petrol gas stations

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2017	2016	**2017**	2016	
		%	%	**%**	%	
Held by Dexin Steel Pte Ltd						
Xingtai Xinlong Coal-Gas Co., Ltd [c]	PRC	**100**	100	**100**	100	Coal gas recycling
Xingtai Delong Machinery and Mill Roll Co., Ltd [c]	PRC	**100**	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**	100	Investment holding
Held by Delong Steel Limited						
Delong International Trading (Tianjin) Co., Ltd [c] (Formerly known as Tianjin Qiruicheng International Trading Co., Ltd)	PRC	**100**	100	**100**	100	Investment in resource-related projects and trading in steel and steel-related products
Beijing Longyuan Weide Energy Technology Co., Ltd [c]	PRC	**100**	100	**100**	100	Technology development, technology advisory and technology related investments
Delong Steel Singapore Projects Pte Ltd [b]	Singapore	**100**	100	**100**	100	Investment holding
Baoding Delong Technology Enterprise Co., Ltd [d]	PRC	**–**	100	**–**	100	Production and sales of hot-rolled coils
Held by Delong International Trading (Tianjin) Co., Ltd						
Laiyuan County Aoyu Steel Co., Ltd [c]	PRC	**100**	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 during the financial year.
(e) Newly incorporated during the financial year.

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Delong (Thailand) Co., Ltd	Thailand	**–**	45	**–**	(3,707)	**–**	–
Total				**–**	(3,707)	**–**	–

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of subsidiary	Delong (Thailand) Co., Ltd	
	2017	2016
	RMB'000	RMB'000
Total income	**–**	594,941
Total expenses	**–**	(603,178)
Loss for the year	**–**	(8,237)
Other comprehensive income for the year	**–**	9,300
Net cash inflow from operating activities	**–**	119
Net cash outflow from investing activities	**–**	(2,096)
Net cash inflow from financing activities	**–**	11,872
Net cash inflow	**–**	9,895

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	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**4,001**	4,340
Share of post-acquisition loss, net of dividend received	**(606)**	(339)
At end of the year	**3,395**	4,001

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRS.

Name of associate	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2017	2016	**2017**	2016	
		%	%	**%**	%	
Held by Asia Paragon International Limited						
Xingtai Xilan Zhongde Natural Gas Co., Ltd.	PRC	**49**	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 RMB49,090 (2016 : RMB521,000), non-current asset of RMB7,699,320 (2016 : RMB7,985,000) and current liabilities of RMB818,676 (2016 : RMB340,000). The associate reported a net loss of RMB1,237,000 (2016 : RMB691,000) for the year ended December 31, 2017.

18 INVESTMENT IN JOINT VENTURE

	2017	2016
	RMB'000	RMB'000
Cost of investment in joint venture	**446,440**	–

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

Name of joint venture	Country of incorporation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2017	2016	**2017**	2016	
		%	%	**%**	%	
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) Not audited as the investment is newly incorporated and dormant during the year. The Group has not recognised any share of profit or loss during the year.

As at the end of reporting period, a subsidiary of the Group, Delong Steel Singapore Projects Pte Ltd, has committed to provide an additional loan of US$60.75 million to fund the Joint Venture.

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, 2016	343,009	1,493,953	5,101,690	193,497	127,296	7,259,445
Additions	1,260	2,230	26,693	7,272	195,169	232,624
Disposals	–	(10,253)	(25,899)	(15,765)	–	(51,917)
Disposal of subsidiary	(19,859)	(80,310)	(268,927)	(619)	–	(369,715)
Transfer in (out)	–	77,404	125,442	–	(202,846)	–
Exchange difference	876	3,543	29,585	30	–	34,034
At December 31, 2016	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
Accumulated depreciation						
At January 1, 2016	32,863	473,039	3,141,280	101,647	–	3,748,829
Charge for the year	1,187	81,211	362,856	14,481	–	459,735
Disposals	(1,105)	(1,740)	(12,172)	(12,505)	–	(27,522)
Disposal of subsidiary	–	(1,363)	(50,639)	(104)	–	(52,106)
Exchange difference	–	60	9,973	5	–	10,038
At December 31, 2016	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
Accumulated impairment						
At January 1, 2016	–	31,791	103,551	579	303	136,224
Impairment for the year	–	260,901	339,099	–	–	600,000
At December 31, 2016	–	292,692	442,650	579	303	736,224
Reclassification (Note 14)	–	(260,901)	(339,547)	–	–	(600,448)
At December 31, 2017	–	31,791	103,103	579	303	135,776
Carrying amounts						
At December 31, 2016	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

19 PROPERTY, PLANT AND EQUIPMENT (cont'd)

In 2016, management of Aoyu Steel had engaged an independent external valuer to perform a valuation of Aoyu Steel's property, plant and equipment based on the replacement cost method. The key assumptions used to determine the residual values of property, plant and equipment include new replacement costs and useful life. Based on the valuation performed, the recoverable amount of the property, plant and equipment of Aoyu Steel was less than the net book value of the plant and equipment by approximately RMB600 million. As such, an impairment loss of RMB600 million was recognised for the year ended December 31, 2016.

	Office equipment RMB'000
Company	
Cost	
At January 1, 2016 and December 31, 2016	153
Additions	22
At December 31, 2017	175
Accumulated depreciation	
At January 1, 2016	39
Charge for the year	51
At December 31, 2016	90
Charge for the year	52
At December 31, 2017	142
Carrying amounts	
At December 31, 2016	63
At December 31, 2017	33

At December 31, 2017, certain property, plant and equipment of the Group with a total carrying amount of approximately RMB1,098 million (2016: 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, 2016 and December 31, 2016 and December 31, 2017	28,800
Accumulated amortisation	
At January 1, 2016	21,600
Charge for the year	5,760
At December 31, 2016	27,360
Charge for the year	1,440
At December 31, 2017	28,800
Carrying amount	
At December 31, 2017	–
At December 31, 2016	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 income RMB'000	Total RMB'000
At January 1, 2016	(22,889)	(1,800)	–	(24,689)
Charged to profit or loss (Note 32)	–	1,440	6,508	7,948
At December 31, 2016	(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)

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.

21 DEFERRED TAX ASSETS (LIABILITIES) (cont'd)

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	
	2017	2016
	RMB'000	RMB'000
Deferred tax liabilities	**22,889**	23,249
Deferred tax assets	**(8,480)**	(6,508)
	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 RMB135.1 million (2016 : 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 these subsidiaries. The tax losses arising from subsidiaries in PRC have an expiry period of five years.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables - Third parties (b)	**1,272,356**	497,467	**–**	–
VAT and other taxes payable	**95,153**	75,678	**–**	–
Payable to contractors for construction-in-progress	**1,779**	128,913	**–**	–
Advances from customers – Third parties	**800,368**	439,208	**–**	–
Other accrual for operating expenses	**4,243**	14,697	**3,834**	3,112
Accrual for interest expense	**–**	19,616	**–**	–
Accrual for staff cost	**46,689**	109,203	**–**	–
Due to directors (non-trade) (a)	**2,697**	2,138	**2,697**	2,138
Deferred income	**–**	17,848	**–**	–
Deferred government grant	**68,795**	44,507	**–**	–
Compensation from PGLC (Note 14)	**160,000**	–	**–**	–
Rental from customers	**–**	819	**–**	–
Other payables	**111,035**	92,008	**1,049**	30
	2,563,115	1,442,102	**7,580**	5,280

22 TRADE AND OTHER PAYABLES (cont'd)

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

(b) Included in trade payables are letters of credit from banks with outstanding balances of RMB691 million (2016 : RMB146 million). As at December 31, 2017, the letters of credit bear an average interest rate of 4.35% - 5.00% per annum (2016 : 4.3% - 5.0%) and are repayable within 90 to 180 days (2016 : 90 to 180 days).

The average credit period on purchases of goods is 60 days (2016 : 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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Notes payables (d)	**1,159,092**	2,288,711	**–**	–
Finance lease liabilities	**10**	10	**10**	10
Bank borrowings (a)				
- Unsecured	**–**	–	**–**	–
- Secured (b)	**855,792**	691,000	**–**	–
- Guaranteed (c)	**100,000**	641,290	**–**	–
	2,114,894	3,621,011	**10**	10
Non-current				
Finance lease liabilities	**22**	32	**22**	32
Bank borrowings (a)				
- Unsecured	**–**	9,966	**–**	–
- Secured (b)	**200,430**	95,908	**–**	–
- Guaranteed (c)	**97,000**	99,000	**–**	–
	297,452	204,906	**22**	32
Total borrowings and notes payables	**2,412,346**	3,825,917	**32**	42

(a) Bank borrowings

Bank borrowings bear an average interest rate of 5% per annum (2016 : 4%). Bank borrowings amounting to RMB955,792,000 (2016 : RMB1,332,290) are repayable within 12 months from the financial year end and have been classified as current. The remaining balances of RMB297,430,000 (2016 : RMB204,874,000) are not expected to be repaid within 12 months and have been classified as non-current.

23 BORROWINGS AND NOTES PAYABLES (cont'd)

(b) Security pledged

As at December 31, 2017 and 2016, the Group's bank loans were secured by certain property, plant and equipment (Note 19), and pledged bank balances (Note 7).

(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, 2017 and 2016 (see Note 35).

As at December 31, 2016, 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 RMB 50 million.

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

(d) Notes payables

The Group has entered into management agreements with two external parties since June 2014 and August 2015 (the "Management Agreements") respectively to facilitate certain of its bill financing arrangement with the banks. In order to facilitate the bill financing arrangement, in accordance with the signed Management Agreements, the Group manages the book-keeping function for the two parties to ensure that cash or bank acceptance notes presented to the two parties would be returned to the Group. Management has assessed and confirmed that these parties are not related parties nor interested parties, and they do not participate in any other transactions of these parties, if any, and the arrangements between the Group and the two parties strictly adhered to the Management Agreements signed.

Management has obtained legal opinion from an independent external legal counsel who has confirmed that the above arrangements do not contravene the existing laws and regulations in the PRC, and will not subject to the Group to any legal exposures.

Notes payables in 2016 and 2017 are interest-free and repayable within 180 days.

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 binding 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 Sale Consideration of THB 385 million (equivalent to RMB 76 million).

24 DISPOSAL OF A SUBSIDIARY (cont'd)

Carrying amounts of net assets over which control was lost are as follows:

	RMB'000
Current assets	
Cash and cash equivalents	25,475
Trade and other receivables	54,217
Inventories	73,217
	152,909
Non-current assets	
Property, plant and equipment	317,609
Total assets	470,518
Current liabilities	
Trade and other payables	(347,428)
Finance lease liabilities	(530)
	(347,958)
Net assets derecognised	122,560
Consideration receivable	75,795
Net cash outflow arising on disposal	
Cash and cash equivalents disposed of	(25,475)

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 USD 25.3 million (equivalent to RMB 176 million) that the Group previously extended to Delong Thailand were fully received in February 2017.

The loss on disposal of the subsidiary is recorded in the consolidated statement of profit or loss and other comprehensive income, as follows:

	RMB'000
Loss on disposal	
Consideration receivable	75,795
Net assets derecognised	(122,560)
Non-controlling interest decognised	55,277
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(11,928)
	(3,416)

25 SHARE CAPITAL

	Group and Company		Group		Company	
	2017	2016	**2017**	2016	**2017**	2016
	Number of ordinary shares ('000)		**RMB'000**	RMB'000	**RMB'000**	RMB'000
At beginning of the financial year	**110,183**	550,914	**406,644**	406,644	**2,112,480**	2,112,480
Consolidate every five ordinary shares into one ordinary share	**–**	(440,731)	**–**	–	**–**	–
At beginning and end of the financial year	**110,183**	110,183	**406,644**	406,644	**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.

On February 29, 2016, the Company completed a share consolidation exercise to consolidate every five existing ordinary shares in the capital of the Company into one ordinary share, so as to comply with the Minimum Trading Price requirement as implemented by the SGX-ST, as an additional continuing listing requirement. As a result of the exercise, the issued share capital of the Company comprises 110,182,709 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 RMB23,536,000 (2016 : RMB304,000) at December 31, 2017 pertains to fair value losses on available-for-sale financial assets (Note 15).

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.

26 RESERVES (cont'd)

Retained earnings

As at December 31, 2017, approximately RMB126,974,000 (2016 : 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

	Group	
	2017	2016
	RMB'000	RMB'000
Sale of goods	**12,831,279**	9,874,981

28 OTHER INCOME

	Group	
	2017	2016
	RMB'000	RMB'000
Government grants	**7,097**	16,778
Finance lease income (expense)	**608**	(744)
Dividend	**13,137**	113
Interest income		
- bank deposits	**68,768**	46,086
- amount due from an investee company	**1,474**	336
- entrusted loans to third parties (Note 13)	**2,881**	18,876
- held-to-maturity financial assets (Note 9)	**47,275**	7,503
	120,398	72,801
	141,240	88,948

29 OTHER GAINS (LOSSES) - NET

Other losses include the following:

	Group	
	2017	2016
	RMB'000	RMB'000
Fair value gain (loss) on held for trading investment	**3,479**	(825)
Loss on disposal of property, plant and equipment	**(47,493)**	(13,318)
Refundable deposit written off (a)	**–**	(20,791)
Impairment charges on property, plant and equipment (Note 19)	**–**	(600,000)
Net foreign exchange (loss) gain	**(20,697)**	31,314
Loss on disposal of subsidiary (Note 24)	**–**	(3,416)
Gain on disposal of Production Capacity (b)	**377,358**	–
Allowance for inventories	**–**	(37,867)
Allowance for doubtful debts	**–**	(2,903)
Impairment loss on available-for-sale financial assets	**(50,000)**	(45,000)

(a) The refundable deposit was made to the Municipal Land Resources Authority of Xingtai, Hebei Province in 2015 in relation to the purchase of land use rights (the "Purchase"). The refundable deposit is non interest-bearing and will be refunded upon legal completion of the Purchase.

For the year ended December 31, 2016, RMB87,835,000 of the refundable deposit was received by the Group and the remaining balance of RMB20,791,000 was written off to the profit or loss.

(b) During the financial year, 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 has agreed to transfer, and the Purchaser has 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 has been 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 has been received during the financial year, with a gain of RMB377 million (net of tax) being 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	
	2017	2016
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note 19)	**321,919**	459,735
Amortisation of intangible assets (Note 20)	**1,440**	5,760
Staff costs	**367,014**	459,670
Rental on operating leases	**352**	608
Repairs and maintenance	**10,108**	19,259

31 FINANCE COSTS

	Group	
	2017	2016
	RMB'000	RMB'000
Interest expenses:		
- Bank borrowings	**128,389**	150,460
- Finance lease liabilities	**3**	3
Bills discounting charges - net	**3,434**	39,347
Bank charges	**21,240**	40,551
	153,066	230,361

32 INCOME TAX EXPENSES

	Group	
	2017	2016
	RMB'000	RMB'000
Tax expense is made up of:		
Current tax:		
- Singapore	**1,025**	2,685
- Foreign	**492,273**	106,651
Deferred tax (Note 21)	**(2,332)**	(7,948)
	490,966	101,388
Adjustment in respect of the preceding financial years:		
Current income tax	**(4,316)**	(1,990)
	486,650	99,398

32 INCOME TAX EXPENSES (cont'd)

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% (2016 : 25%) due to the following:

	Group	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**2,556,556**	308,721
Tax calculated at tax rate of 25% (2016 : 25%)	**639,139**	77,180
Effects of:		
Different tax rates in other countries	**445**	1,389
Lower tax rates arising from tax incentives in other countries	**(189,323)**	(80,042)
Expenses not deducted for tax	**38,241**	178,888
Effect of utilisation of deferred tax assets not recognised	**(1,501)**	(79,000)
Others	**(351)**	983
Tax charge	**486,650**	99,398

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 subsidiary in the People's Republic of China ("PRC"), of statutory tax rate of 25%, have 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 (crediting):

	Group	
	2017	2016
	RMB'000	RMB'000
Directors' remuneration:		
- of the Company	**1,097**	1,078
- of the subsidiaries	**4,413**	4,107
Total directors' remuneration	**5,510**	5,185
Audit fees:		
- paid to auditors of the Company	**3,351**	2,526
- under (over) provision in prior year	**1,247**	(44)
Non-audit fees:		
- paid to auditors of the Company	**755**	–
- paid to other auditors	**1,519**	224

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.

On February 29, 2016, the Company completed a share consolidation exercise to consolidate every five existing ordinary shares in the capital of the Company into one ordinary share (Note 25).

(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	
	2017	2016
	RMB'000	RMB'000
Net profit attributable to equity holders of the Company (RMB'000)	**2,069,906**	213,030
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**110,183**	110,183
Basic earnings per share (RMB)	**18.79**	1.93

34 EARNINGS PER SHARE (cont'd)

(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	
	2017	2016
	RMB'000	RMB'000
Guarantees granted to:		
- Third parties (1)	**295,050**	475,050
- Related party (2)	**–**	50,000
Total guarantees	**295,050**	525,050

(1) These include the following:

- Guarantees amounting to RMB60 million (2016 : RMB145.1 million) were given to the third parties and in return, these third parties also provided guarantees for the Group's borrowings (Note 23); and

- As at December 31, 2016, 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 December 31, 2016, 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).

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, 2017 and 2016, there was no guarantee given to banks by the Company in respect of bank loans granted to subsidiaries.

36 DIVIDENDS

The Company does not recommend that a dividend be paid for the year ended December 31, 2017 and 2016.

37 COMMITMENTS

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

	Group	
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment	**334,511**	260,563

38 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2017	2016
	RMB'000	RMB'000
Payment recognised as an expense during the year	**352**	608

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

	Group	
	2017	2016
	RMB'000	RMB'000
Within one year	**233**	231

39 EVENT AFTER REPORTING PERIOD

Subsequent to year end, the Group has acquired a new subsidiary, Xingtai Degui Nano Material Technology Limited Company (邢台德贵纳米材料科技有限公司), with 60% equity interest, for a total purchase consideration of RMB6.0 million.

40 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 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.

The segment information for the reportable segments for the year ended December 31, 2017 is as follows:

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
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)
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

40 SEGMENT INFORMATION (cont'd)

	Manufacturing RMB'000	Others RMB'000	Total RMB'000
2016			
REVENUE			
External Sales	11,917,763	–	11,917,763
Inter-segment sales	(2,042,782)	–	(2,042,782)
Sales to external parties	9,874,981	–	9,874,981
Adjusted EBITDA*	1,706,552	22,484	1,729,036
Depreciation and amortisation	(463,707)	(1,788)	(465,495)
Impairment loss on property, plant and equipment	(600,000)	–	(600,000)
Allowance for inventory	(37,867)	–	(37,867)
Loss on disposal of subsidiary	(3,416)	–	(3,416)
Loss on disposal of property, plant and equipment	(13,318)	–	(13,318)
Fair value loss on held for trading investments	–	(825)	(825)
Impairment loss on available-for-sale financial assets	(45,000)	–	(45,000)
Refundable deposit written off	(20,791)	–	(20,791)
Allowance for doubtful debts	(2,903)	–	(2,903)
Unallocated:			
Finance costs			(230,361)
Share of loss of an associate company			(339)
Profit before income tax			308,721
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

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

Analysis of Shareholdings

As at 21 March 2018

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	351	18.79	15,234	0.01
100 - 1,000	977	52.30	381,544	0.35
1,001 - 10,000	442	23.66	1,559,219	1.41
10,001 - 1,000,000	92	4.93	9,625,711	8.74
1,000,001 & above	6	0.32	98,601,001	89.49
Total	1,868	100.00	110,182,709	100.00

Top Twenty shareholders	No.of shares	%
Best Decade Holdings Limited	64,163,500	58.23
HSBC (Singapore) Nominees Pte Ltd	10,926,895	9.92
DBS Nominees Pte Ltd	9,103,487	8.26
DB Nominees (S) Pte Ltd	7,776,551	7.06
Raffles Nominees (Pte) Ltd	5,545,620	5.03
Citibank Nominees Singapore Pte Ltd	1,084,948	0.99
Lim Ewe Ghee	936,360	0.85
Phillip Securities Pte Ltd	638,620	0.58
ABN AMRO Clearing Bank N.V.	621,100	0.56
OCBC Securities Private Ltd	538,815	0.49
Chong Ngiet Fah	505,000	0.46
Wong Ka Fai Martin	399,000	0.36
Wang Jianyong	368,100	0.33
Seah Seow Cher	357,300	0.32
Lam Pin Fan	351,000	0.32
Singapore Nominees Pte Ltd	336,000	0.31
United Overseas Bank Nominees Pte Ltd	317,980	0.29
Morgan Stanley Asia (S) Securities Pte Ltd	280,000	0.25
Lee Poh Cheong	234,000	0.21
Chew Choo Poh	200,000	0.18
	104,684,276	95.00

As at 21 March 2018

Substantial Shareholders	Direct Interest No. of shares	%	Deemed Interest No. of shares	%
Best Decade Holdings Limited	64,163,500	58.23	–	–
Golden Top Group Limited	–	–	64,163,500 (1)	58.23
Honest Joy International Ltd	–	–	64,163,500 (2)	58.23
Ding Liguo	–	–	64,163,500 (3)	58.23
Zhao Jing	–	–	64,163,500 (3)	58.23
Evraz S.A Group	16,570,799 (6)	15.04	–	–
EVRAZ plc	–	–	16,570,799 (4)	15.04
Lanebrook Limited	–	–	16,570,799 (5)	15.04

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 and Madam Zhao Jing hold 70% and 30% respectively of the share capital in Honest Joy. They are therefore deemed interested in the shares of the Company held by Best Decade

(4) EVRAZ plc owns 100% of the share capital in Evraz S.A. Group and is therefore deemed to be interested in the shares of the Company held by Evraz S.A Group.

(5) Lanebrook Limited is the major shareholder of EVRAZ plc and is therefore deemed to be interested in the shares of the Company held by Evraz S.A Group

(6) Shares are held through nominee account

Public shareholding

Based on the register of shareholdings and to the best of the Company, as at 21 March 2018, 26.73% 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 IS HEREBY GIVEN that the Annual General Meeting of Delong Holdings Limited ("Company") will be held at 55 Market Street, #03-01, Singapore 048941 on Friday, 27 April 2018, at 10.30 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 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 88 of the Company's Constitution:-

   Mr. Wu Yujie **(Resolution 2)**
   Mr. Wu Geng **(Resolution 3)**

   Mr. Wu Geng will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee, and member of the Audit and Remuneration 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 re-elect the following Directors retiring pursuant to Article 89 of the Company's Constitution:-

   Mr. Ding Liguo **(Resolution 4)**
   Mr. Lai Hock Meng **(Resolution 5)**

   Mr. Lai Hock Meng will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration 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").

4. To approve the payment of Directors' fees of RMB1,284,136 for the financial year ended 31 December 2017. (2016: RMB1,274,871) **(Resolution 6)**

5. To re-appoint Messrs Deloitte & Touche LLP as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. 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:-

7. **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 8)**

8. **Renewal of the Share Buyback Mandate**

"THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Chapter 50) of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as defined herein), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined herein), whether by way of:

(i) market purchase(s) transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other securities exchange on which the Shares may, for the time being, be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for such purpose ("Market Purchase"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Companies Act, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST ("Off-Market Purchase"),

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act, the Constitution of the Company and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earliest of:

(i) the conclusion of the next annual general meeting of the Company or the date by which such annual general meeting is required to be held;

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate ("Share Buybacks") are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in a general meeting;

(c) in this resolution:

"Prescribed Limit" means 10.0% of the total number of issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this resolution excluding any treasury shares and subsidiary holdings, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period (as defined herein), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date of the passing of this resolution and expiring on the earliest of the date the next annual general meeting of the Company is held or is required by law to be held, or the date on which the Share Buybacks are carried out to the full extent mandated, or the date the said mandate is revoked or varied by the Company in a general meeting; and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price (as defined herein) of the Shares; and

(ii) in the case of an Off-Market Purchase, 120.0% of the Average Closing Price of the Shares,

where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five (5) Market Days ("Market Day" being a day on which the SGX-ST is open for trading of securities), on which transactions in the Shares were recorded, preceding the day of the Market Purchase or, as the case may be, preceding the date of making an announcement by the Company of an offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient, necessary, desirable, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.
[See Explanatory Note (ii)] **(Resolution 9)**

BY ORDER OF THE BOARD

Yeo Lee Luang
Company Secretary
Singapore, 12 April 2018

EXPLANATORY NOTE:

(i) The Ordinary Resolution 8 proposed in item 7 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.

(ii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the conclusion of the next Annual General Meeting or the date by which such Annual General Meeting is required to be held, or until the date the said mandate is revoked or varied by the Company in general meeting, whichever is earlier, to purchase or otherwise acquire issued ordinary Shares of the Company by way of Market Purchases or Off-Market Purchases of up to the Maximum Limit at the Maximum Price in accordance with the terms and conditions set out in the Appendix to this Notice of Annual General Meeting, the Companies Act, the Constitution of the Company and the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

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)

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 12 April 2018.

ANNUAL GENERAL MEETING
PROXY FORM

*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 55 Market Street, #03-01, Singapore 048941 on Friday, 27 April 2018, at 10.30 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 2017		
2	Re-election of Mr Wu Yujie as a Director		
3	Re-election of Mr Wu Geng as a Director		
4	Re-election of Mr Ding Liguo as a Director		
5	Re-election of Mr Lai Hock Meng as a Director		
6	Approval of Directors' fees amounting to RMB1,284,136		
7	Re-appointment of Messrs Deloitte & Touche LLP as Company's Auditors		
8	Authority to allot and issue new shares		
9	Renewal of share buyback mandate		

* Delete accordingly
** Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this __________ day of ________________ 2018.

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

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 12 April 2018.

德龙控股

DELONG HOLDINGS

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