



德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED (Reg. No 199705215G)

RESPONSE TO SGX-ST'S QUERIES ON THE ANNOUNCEMENT OF RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 RELEASED ON 4 MAY 2017 AND ANNOUNCEMENT ON THE ENTRY INTO BINDING MEMORANDUM OF UNDERSTANDING RELEASED ON 10 MAY 2017

In response to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") in its email dated 22 May 2017 in relation to the Company's first quarter results for the period ended 31 March 2017 ("1Q2017"), and the announcement dated 10 May 2017 in relation to the Entry into a Binding Memorandum of Understanding, Delong Holdings Limited (the "Company", together with its subsidiaries, the "Group") wishes to provide the following additional information:-

Question 1

We refer to Note 2 on Page 3 on the "revaluation of intercompany balances". Why would revaluation of "intercompany balances" affect the Group's figures?

Company's response

This is due to one of the Group's subsidiaries recording the intercompany loan in a currency other than its functional currency.

Question 2

We refer to Note 1 on Page 6 on the "Group's investment in EC World Reit". When was this acquisition made and did the Company make an announcement on this?

Company's response

The investment was made in July 2016. There was no announcement made in relation to the transaction as all of the relative figures computed based on the bases set out in Rule 1006 amounted to less than 3%.

Question 3

We refer to footnote 2 on Page 8 on the "Other payables from Tsing Duo". Has this amount been received by the Group as at 31 Mar 2017? If yes, why is this reflected as "other payables"?

Company's response

The amount was received as at 31 March 2017 and recorded as other payables as the deposit made by Tsing Duo is refundable if the regulatory approval in relation to the Production Capacity Transfer is not obtained.

Question 4

How much is needed to fund the construction mentioned in Paragraph 2.1 of the announcement? Will the Company and Anhui Shoukuang Dachang Metal Materials Limited Company (the “Target Company”) each be contributing their proportionate share of the construction funding?

Company’s response

The Company is not able to determine the exact amount needed to fund the construction at this stage as the Company is currently carrying out due diligence as well as the Audit and Assessment Procedures on the Target Company. Please refer to the Company’s announcement dated 10 May 2017 for further details.

As at the date of this announcement, further specific details of the cooperation between the Group and Anhui Shoukuang Dachang Metal Materials Limited Company have yet to be finalised. The Company will update shareholders as and when there are material developments on this matter.

Question 5

Where is the steel plant of the Target Company located? Given the PRC government’s drive to stem industrial pollution under the Capacity Reduction Plans, why is the Company setting aside significant financial resources into constructing a new steel plant?

Company’s response

The steel plant of the Target Company is located in Anhui province, which is not within the list of affected cities under the Capacity Reduction Plan.

The Company is anticipating that its indirect wholly-owned subsidiary, Laiyuan County Aoyu Steel Co., Ltd. (“**Aoyu Steel**”), will cease its steel-making operations in the near future. As the Group’s steel production capacity will be significantly reduced following the cessation of Aoyu Steel’s operations once this is ordered by the PRC government, the Group recognises the need to maintain its scale of production and competitive edge in order to gain a foothold in the steel industry.

Question 6

With the proposed acquisition, does the Group have excess cash reserves after setting aside funds to repay its short term borrowings and Notes payable?

Company’s response

Even though the consideration for the proposed acquisition is still in flux, the management will endeavour to ensure that the Group has sufficient cash and cash equivalents for working capital purposes following the proposed acquisition. Furthermore, the Group’s short term borrowings are revolving in nature and have been constantly reviewed and rolled-over by the relevant financial institutions.

By Order of the Board

Yeo Lee Luang
Company Secretary
23 May 2017