



DELONG HOLDINGS LIMITED (REG NO. 199705215G)

COMPENSATION FOR CESSATION OF AOYU STEEL'S OPERATIONS

Reference is made to the announcements made by Delong Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") on (i) 18 January 2017 in relation to the plans by the Hebei Province's 12th National People Congress to reduce steelmaking capacity in the Hebei Province in the PRC by 31.86 million tonnes in 2017, and to accelerate steelmaking capacity reduction efforts in the cities of Langfang, Baoding and Zhangjiakou, which are located in the Hebei Province, in 2017 (the "**Capacity Reduction Plans**"), and (ii) 22 August 2017 in relation to the cessation of Aoyu Steel's operations (the "**Prior Announcements**").

All capitalised terms used and not defined herein shall have the same meanings given to them in the Prior Announcements.

The Board of Directors (the "**Board**") of the Company wishes to announce that the Company's indirect wholly-owned subsidiary, Aoyu Steel, had, on 30 August 2017, 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, the total compensation amount that shall be paid by the PGLC to Aoyu Steel is RMB968 million (the "**Compensation Sum**"), of which RMB720 million shall be the compensation to Aoyu Steel, RMB208 million shall be applied towards workers' compensation, and RMB40 million shall be used for payment of applicable exit fees. The Compensation Sum, which will be satisfied fully in cash, shall be payable in the following manner:

- (a) a sum of RMB208 million (the "**1st Instalment**") by 31 August 2017;
- (b) a sum of RMB500 million by 30 September 2017;
- (c) a sum of RMB210 million by 31 October 2017; and
- (d) the remaining balance of RMB50 million upon the completion of the audit of Aoyu Steel's fixed assets that will be transferred to the PGLC, and settlement of workers' compensation.

Further, pursuant to the Compensation Agreement, in the event of overdue payment, interest shall accrue on the overdue amount until such time that the overdue amount is fully paid. The applicable interest rate will be based on 130% of the lending interest rates published by the People's Bank of China for the corresponding period.

As agreed under the Compensation Agreement, Aoyu Steel shall transfer the fixed assets and land to the PGLC. In addition, Aoyu Steel shall be obliged to cease all operations by end-September 2017, and settle the matter on workers' compensation by end-October 2017. As announced by the Company on 22 August 2017, the operations of Aoyu Steel has ceased completely, following the strike by employees on its premises.

The Company had received the 1st Instalment on 31 August 2017.

The Company will keep shareholders informed of any material developments on this matter and will make such further announcements as and when appropriate.

BY ORDER OF THE BOARD

Ding Ligu
Executive Chairman
31 August 2017