
INCORPORATION OF A JOINT VENTURE COMPANY

- WAIVER FROM CERTAIN REQUIREMENTS IN THE LISTING MANUAL IN RELATION TO THE PROPOSED JOINT VENTURE
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1. INTRODUCTION

Reference is made to the announcement made by Delong Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on 12 June 2017 (the “**Announcement**”) in relation to the proposed joint venture between Delong Steel Singapore Projects Pte Ltd, the Company’s indirect wholly-owned subsidiary, Shanghai Decent Investment (Group) Co., Ltd (上海鼎信投资 (集团) 有限公司) (“**Shanghai Decent**”) and PT. Indonesia Morowali Industrial Park (印尼经贸合作区青山园区开发有限公司) (“**Morowali**”) to *inter alia* invest and construct a steel project at Tshingshan Park (the “**Steel Project**”), and to set up a joint venture company in Indonesia (the “**JV Co**”) for such purpose (the “**Proposed JV**”).

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

2. GRANT OF WAIVER

Further to the Announcement, the Company had, on 27 June 2017, submitted an application to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) to seek *inter alia* a waiver from compliance with certain requirements in the Listing Manual in relation to the Proposed JV (the “**Waiver**”).

The SGX-ST had, on 7 August 2017, informed the Company that it has no objection to the Company’s application for waiver with regard to compliance with Listing Rules 1015(2) (read with Rules 210(5)(a), (b) and (c)) and 1015(5)(a) in relation to Part II of Chapter 6 of the Listing Manual, subject to the following:-

- (a) the Company announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Listing Rule 107;
- (b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the constitution of the Company;
- (c) shareholders’ approval being obtained for the Proposed JV and the steel project at a shareholders’ meeting to be convened. For the purpose of the circular to shareholders, the Company will enclose the feasibility report and provide shareholders with relevant and meaningful financial information on the Proposed JV and the steel project in the body of the circular; and

- (d) the Company's controlling shareholder to undertake to comply with Rule 1015(3)(c), read with Rules 227 and 228.

The SGX-ST had also informed the Company in its letter dated 7 August 2017 that the profitability criteria and the requirement to appoint a competent and independent valuer under Rule 1015(2), Rules 1015(1)(a)(ii), 1015(2) (read with Rules 210(4)(a) and 210(6)), 1015(4), 1015(5)(b) and 1015(5)(d) are not applicable to the Proposed JV.

The release of this announcement seeks to satisfy the condition set out in sub-paragraph (a) above. The written confirmation referred to in sub-paragraph (b) will be separately submitted to the SGX-ST.

3. REASONS FOR WAIVER APPLICATION

The reasons for seeking the Waiver are set out in Schedule 1 of this announcement.

BY ORDER OF THE BOARD

Ding Liguo
Executive Chairman
7 August 2017

SCHEDULE 1 – REASONS FOR WAIVER APPLICATION

The reasons for seeking the Waiver are as follows:

RULE	DESCRIPTION OF RULE	REASONS FOR WAIVER
1015(1)(a)(ii)	The issuer must, after terms have been agreed, immediately announce the latest three years of pro forma financial information of the assets to be acquired.	The Proposed JV involves, <i>inter alia</i>, the construction of the Steel Project, and the creation of a new legal entity in Indonesia to serve as the business vehicle for the joint venture between the Company, Shanghai Decent and Morowali, to manage the Steel Project. As set out in the Announcement, since the JV Co has not been incorporated and the Steel Project has not commenced, the latest 3 years proforma financial information as required under Rule 1015(1)(a)(ii) of the Listing Manual is not available. Notwithstanding the above, the Company is of the view that the feasibility report in respect of the Proposed JV will provide shareholders with relevant and meaningful financial information on the Proposed JV. The aforementioned information will be included in the circular to be despatched to shareholders in due course (the “Circular”).
1015(2)	For very substantial acquisition, the target business to be acquired must be profitable and meets the requirements in Rule 210(4)(a), and the enlarged group must comply with the requirements in Rule 210(5) and (6). The issuer must appoint a competent and independent valuer to value the target business.	Please see the reasons set forth below for waiver of Rules 210(4)(a), 210(5) and 210(6) of the Listing Manual. Since the JV Co has not been incorporated and the Steel Project has not commenced, it will not be meaningful to engage an independent valuer to value the target business (or lack thereof). Notwithstanding the foregoing, the Company has engaged an independent external consultant, HATCH Project (Shanghai) Co.,

		Ltd (“ Hatch ”), to conduct a feasibility study on the Steel Project. Hatch is a global multi-disciplinary management, engineering and development consultancy, and was ranked as a top 20 international Design Firm according to the Engineering News-Record (ENR) rankings. As mentioned above, the findings of the feasibility report will be included in the Circular and the Company is of the view that such report findings would be of greater use to shareholders.
210(4)(a)	The group must be in a healthy financial position, having regard to whether the Group has a positive cash flow from operating activities.	Please see the reasons above for waiver of Rule 1015(1)(a)(ii) of the Listing Manual.
210(5)(a)	The directors and executive officers should have appropriate experience and expertise to manage the group's business. As a pre-quotation disclosure requirement, an issuer must release a statement via SGXNET or in the prospectus, offering memorandum or introductory document identifying for each director, whether the person has prior experience (and what) or, if the director has no prior experience as a director of a listed company, whether the person has undertaken training in the roles and responsibilities of a director of a listed company.	Rule 210(5)(a) of the Listing Manual is not appropriate in this case as there will be no change to the board of directors of the Company (“Board”) as a result of the Proposed JV. The Company wishes to highlight that no new shares in the capital of the Company (“Shares”) will be issued to the JV Co to satisfy the aggregate initial amount that the Group may likely contribute to the Proposed JV, being approximately USD427.5 million. Under the terms of the Agreement, the Company’s joint venture partners, being Shanghai Decent and Morowali, and the JV Co do not have the right to nominate or appoint representatives to the Board or management team of the Company. As such, there will be no change of control of the Company and the Proposed JV will also not cause any dilution of shareholding in the Company.
210(5)(b)	The character and integrity of the directors,	Rule 210(5)(b) of the Listing Manual is not appropriate in this

		management and controlling shareholders of the issuer will be a relevant factor for consideration. In considering whether the directors, management and controlling shareholders have the character and integrity expected of a listed issuer, the Exchange will take into account the disclosure made in compliance with Rule 246(5)(a).	case as there will be no change to the directors, management and controlling shareholders of the Company as a result of the Proposed JV.
	210(5)(c)	The issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer.	Rule 210(5)(c) of the Listing Manual is not appropriate in this case as there will be no change to the Board as a result of the Proposed JV.
	210(6)	A subsidiary or parent company of an existing listed issuer will not normally be considered suitable for listing if the assets and operations of the applicant are substantially the same as those of the existing issuer. In arriving at a decision, the Exchange will consider the applicant's business or commercial reasons for listing.	Rule 210(6) of the Listing Manual is not applicable in this case as there is no current intention to seek a listing of the JV Co (which has not been incorporated at this juncture) pursuant to this very substantial acquisition.
1015(4)	The issuer must submit the following:—		
	1015(4)(a)	A compliance checklist for Rule 210 or Rule 222, whichever is applicable;	Rules 210 and 222 of the Listing Manual are not appropriate as the Company is already listed on the Mainboard of the SGX-ST and it is not envisaged that there would be backdoor listing of any other business as a result of the Proposed JV. The Company will continue to comply with the applicable admission criteria of the Mainboard of the SGX-ST pursuant to Rule 720 of the Listing Manual, upon completion of the Proposed JV.
	1015(4)(b)	A compliance checklist for the information required in Rule 1015(5); and	Please refer to the reasons set forth below for waiver of certain requirements required under Rule 1015(5) of the Listing Manual.

	1015(4)(c)	Declaration by each director, controlling shareholder, and executive officer of the acquired company(ies), including officers occupying a managerial position and above who is a relative of any director or controlling shareholder in the form set out in paragraph 8, Part VII of the Fifth Schedule, Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005, as amended from time to time. For very substantial acquisition, declaration by each new director, controlling shareholder, and executive officer must be submitted.	Rule 1015(4)(c) of the Listing Manual is not appropriate in this case as there will be no change to the directors, controlling shareholders, executive officers, and management of the Company as a result of the Proposed JV.
1015(5)	In relation to the assets to be acquired, the shareholders' circular must contain the following:—		
	1015(5)(a)	Information required by Rule 1010, 1011, 1012, 1013 and Part II of Chapter 6 of the Listing Manual, where applicable;	(a) As disclosed in the Announcement, it is contemplated that the JV Co will be principally engaged in the business of manufacture and sale of steel bar, wire and slab. This is in line with the primary business of the Group, which is in the business of steel manufacturing. Further, as set out above and in the Announcement, one of the contributing factors to the Group's proposed entry into the Proposed JV is due to the Capacity Reduction Plans and the imminent cessation of Aoyu Steel's operations. Accordingly, the Proposed JV presents a good opportunity for the Group to expand its business and diversify into the Indonesian market, while leveraging on Shanghai Decent and Morowali's extensive experience and expertise in this area. (b) The Proposed JV does not envisage the injection of any other businesses for the purpose of backdoor listing. Further, as mentioned above, there will be no change to

			the shareholding structure of the Company, the Board or the management of the Company as a result of the Proposed JV. (c) In view of the reasons highlighted above, the Company is of the view that the additional disclosure under Part II of Chapter 6 of the Listing Manual and in particular, the costs and time that would be incurred in relation to the additional disclosure, will not be meaningful. Instead, in view of the time pressures on the Group, it would be much preferred for shareholders to be given ample time and opportunity to raise questions and express their views in relation to the Proposed JV at the extraordinary general meeting to be convened in due course. In this regard, as mentioned above, the Company will disclose the key findings of the feasibility report and such other material information in the Circular for shareholders' consideration. (d) Rule 1010(5) of the Listing Manual is not appropriate in this case as there is no book value or net tangible asset value attributable to the JV Co since the JV Co has not been incorporated and the Steel Project has not commenced. This has also been disclosed in the Announcement. (e) Rule 1010(7) of the Listing Manual is also not appropriate in this case for the same reasons for waiver of Rule 1015(1)(a)(ii) of the Listing Manual. Save for the listing rules set out above, the Company will comply with the requirement to disclose the other information required by
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			Rules 1010 and 1011 of the Listing Manual in the Circular. Rule 1012 of the Listing Manual is not applicable in this case as the Company is not providing a profit forecast. Rule 1013 of the Listing Manual is not applicable in this case as there is no vendor with respect to the Proposed JV, and in any case, the Company had not accepted a profit guarantee or a profit forecast in connection with the Proposed JV.
	1015(5)(b)	An accountants' report on the assets to be acquired and the enlarged group. Rule 609 applies to the accountant's report;	Please see the reasons above for waiver of Rule 1015(1)(a)(ii) of the Listing Manual.
	1015(5)(d)	A statement by the financial adviser(s) in the form set out in paragraph 3(d) of Appendix 8.2.	The Company's preliminary view is that a financial adviser does not appear to be relevant in this context since this is not an acquisition of an existing business. The Company is injecting capital into a new joint venture vehicle, and appointing a financial adviser will not be able to value add to the Company in any meaningful way in terms of advising on business valuation or feasibility studies. The Company has already undertaken internal feasibility studies on the Steel Project and the Indonesian steel industry. The Company has engaged an independent external consultant, Hatch, to conduct a feasibility study on the Steel Project. Hatch is a global multi-disciplinary management, engineering and development consultancy, and was ranked as a top 20 international Design Firm according to the Engineering News-Record (ENR) rankings. As such, a further appointment of a financial adviser will unnecessarily add to the costs incurred by the Company for this Proposed JV.

