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## SALE OF SUBSIDIARY'S PRODUCTION CAPACITY

### - WAIVER FROM REQUIREMENT FOR SHAREHOLDERS' APPROVAL

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#### 1. INTRODUCTION

Reference is made to (i) the announcement made by Delong Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") on 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) the Company's announcement on 3 April 2017 (the "**Prior Announcement**") in relation to the entering into a conditional agreement for the proposed sale of the production capacity of the Company's indirect wholly-owned subsidiary, Laiyuan County Aoyu Steel Co., Ltd. ("**Aoyu Steel**") (the "**Production Capacity Transfer**").

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

#### 2. GRANT OF WAIVER

Further to the Prior Announcement, the Company had submitted an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to seek a waiver from compliance with the requirement for shareholders' approval under Listing Rule 1014(2) in relation to the Production Capacity Transfer (the "**Waiver**").

The SGX-ST had, on 31 May 2017, informed the Company that it has no objection to the Company's application for waiver with regard to compliance with Listing Rule 1014(2) 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; and
- (c) the Board undertaking the following actions:
  - (i) that the Company will make an immediate announcement when it receives formal notification from the PRC regulatory authority for Aoyu Steel to cease operations;

- (ii) that the Company will make an immediate announcement upon the receipt of the balance consideration of RMB300 million;
- (iii) that the Company will announce the use of RMB400 million proceeds from the capacity production transfer, as and when there are material utilisations of the amount; and
- (iv) that the Company will engage its statutory auditors to verify the use of proceeds and an announcement to be made accordingly.

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. The announcements referred to in sub-paragraph (c) will be made as and when required.

### **3. REASONS FOR WAIVER APPLICATION**

The Company had sought the Waiver for the following reasons:

- (a) The requirement to seek Shareholders' approval in this particular case is not meaningful as Aoyu Steel will, in any circumstances, be ordered to cease production once the Capacity Reduction Plans are implemented, and non-compliance will result in the Company being in breach of the applicable PRC laws and regulations.
- (b) In addition, due to the uncertainty regarding any compensation from the PRC government under the Capacity Reduction Plans, the Production Capacity Transfer presents the Group an opportunity to realise the value of Aoyu Steel's assets, and such monies will be used to offset the expenses to be incurred in relation to the cessation of Aoyu Steel's operations (as set out in the Prior Announcement). As such, the Production Capacity Transfer will assist to lighten the Group's financial burden once Aoyu Steel is ordered to cease operations. As at the date of this announcement, the Company has not received any other offers which are more favourable than the one offered by the Purchaser. Accordingly, in the event that the Company does not complete the Production Capacity Transfer and there is no compensation paid out under the Capacity Reduction Plans, the Group will have to suffer the economic consequence of having to utilise its internal reserves to satisfy the expenses incurred upon the execution of the Capacity Reduction Plans.

In light of the above grounds, the Waiver would be in the interests of the Company and the Shareholders.

### **BY ORDER OF THE BOARD**

Ding Liguao  
Executive Chairman  
31 May 2017