



DELONG HOLDINGS LIMITED (REG NO. 199705215G)

UPDATE ANNOUNCEMENT

(A) UPDATE ON STATUS OF 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**"), (ii) 22 August 2017 in relation to the cessation of the operations of Laiyuan County Aoyu Steel Co., Ltd. ("**Aoyu Steel**"), and (iii) 31 August 2017 in relation to the compensation to be paid by the People's Government of Laiyuan County ("**PGLC**") for the cessation of Aoyu Steel's operations.

The Board of Directors (the "**Board**") of the Company wishes to update the shareholders of the Company ("**Shareholders**") that further to the Company's announcement dated 31 August 2017, Aoyu Steel has not received the second and third instalments of the consideration amount of RMB968 million to be paid by PGLC to Aoyu Steel pursuant to the Capacity Reduction Plans, being the sums of RMB500 million and RMB210 million respectively.

As PGLC is a government authority, the relevant payment processes may be subject to bureaucratic considerations at various levels of government departments. Consequently, payments may take longer than originally envisaged.

The Company will continue following up with PGLC on the necessary payments, and will keep Shareholders informed of any material developments on this matter and make such further announcements as and when appropriate.

(B) UPDATE ON STATUS OF FORMAL NOTIFICATION FROM THE PRC REGULATORY AUTHORITY FOR AOYU STEEL TO CEASE OPERATIONS

Reference is made to the announcement made by the Company on 31 May 2017 in relation to the SGX-ST's non-objection to the Company's application for waiver with regard to compliance with Listing Rule 1014(2) in respect of the sale of the production capacity of Aoyu Steel, subject to certain specified conditions.

The Board wishes to inform Shareholders that further to the Company's announcement dated 31 May 2017, the PRC regulatory authority has informed that they would not be giving any formal notification in relation to the cessation of Aoyu Steel's operations as Aoyu Steel has ceased operations completely in August 2017. Please refer to the Company's announcement dated 22 August 2017 for further details on the cessation of Aoyu Steel's operations.

(C) UPDATE ON PRODUCTION PLANT

Reference is made to the announcement made by the Company on 6 November 2017 in relation to the maintenance or disassembly of certain plant and equipment of Delong Steel Limited ("**Delong Steel**"), an indirect wholly-owned subsidiary of the Company.

Further to the Company's announcement dated 6 November 2017, the Board wishes to announce that pursuant to the Xingtai City 2017/2018 policies on the comprehensive management of air pollution in autumn and winter (邢台 2017 年-2018 年秋冬季节大气污染综合治理) (the "**Environmental Policies**"), Delong Steel's No. 2 blast furnace (which has an annual production capacity of 920,000 tonnes) had been shut down on 1 December 2017. It is expected that the hiatus on production will subsist until 31 March 2018. In addition, pursuant to the Environmental Policies, Delong Steel's No. 1 blast furnace, which is currently under maintenance and was scheduled to commence operations in mid-December 2017, will be required to stop production.

In light of the production shut down on the No. 1 and No. 2 blast furnaces, the Group's production capacity is expected to be reduced by approximately 232,000 tonnes in the financial year ending 31 December 2017 ("**FY2017**") and 498,000 tonnes in the financial year ending 31 December 2018 ("**FY2018**"), representing 6.7% and 17.4% of the estimated capacity for FY2017 and FY2018 respectively. As such, the Group's production capacity for FY2017 and FY2018 are expected to be approximately 3,480,000 tonnes and 2,860,000 tonnes respectively.

As a result of the above, based on the average selling price of hot-rolled coil for the nine-month period ended 30 September 2017, it is expected that the Group's revenue will be reduced by approximately RMB696.0 million and RMB1,494.0 million in FY2017 and FY2018 respectively.

The Company will keep Shareholders apprised of any material developments on the aforementioned matters and will make such further announcements as and when appropriate.

BY ORDER OF THE BOARD

Ding Liguo
Executive Chairman
5 December 2017