

**CIRCULAR DATED 2 DECEMBER 2017**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.**

If you have sold or transferred all your ordinary shares ("**Shares**") in the capital of Delong Holdings Limited (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

**The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.**

**YOUR ATTENTION IS DRAWN TO THE RISK FACTORS DISCLOSED IN THIS CIRCULAR WHICH YOU SHOULD REVIEW CAREFULLY.**



**德龙控股**

DELONG HOLDINGS

**DELONG HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore on 28 July 1997)  
(Company Registration Number: 199705215G)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (A) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE ASSET MANAGEMENT BUSINESS;**
- (B) THE PROPOSED EXPANSION OF THE SCOPE AND GEOGRAPHICAL LOCATION OF THE GROUP'S STEEL BUSINESS TO SOUTHEAST ASIA, IN PARTICULAR INDONESIA AND THE OTHER ASEAN COUNTRIES; AND**
- (C) THE PROPOSED JOINT VENTURE WITH SHANGHAI DECENT INVESTMENT (GROUP) CO., LTD AND PT. INDONESIA MOROWALI INDUSTRIAL PARK**

**IMPORTANT DATES AND TIMES**

|                                                |   |                                                |
|------------------------------------------------|---|------------------------------------------------|
| Last date and time for lodgement of Proxy Form | : | 16 December 2017 at 9.30 a.m.                  |
| Date and time of Extraordinary General Meeting | : | 18 December 2017 at 9.30 a.m.                  |
| Place of Extraordinary General Meeting         | : | 55 Market Street<br>#03-01<br>Singapore 048941 |

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## DEFINITIONS

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Except where the context otherwise requires or unless otherwise stated, the following definitions shall apply throughout this Circular:

|                                    |   |                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Agreement”</b>                 | : | The joint venture agreement dated 12 June 2017 entered between Delong Steel, Shanghai Decent and Morowali in respect of <i>inter alia</i> the Steel Project and the incorporation of a joint venture company                                                                                                                                                           |
| <b>“Aoyu Steel”</b>                | : | Laiyuan County Aoyu Steel Co., Ltd., the Company’s indirect wholly-owned subsidiary                                                                                                                                                                                                                                                                                    |
| <b>“Asset Management Business”</b> | : | Shall have the meaning ascribed to it in Section 3.1 titled “ <i>Information regarding the Proposed Diversification</i> ” of this Circular                                                                                                                                                                                                                             |
| <b>“ASEAN”</b>                     | : | Association of Southeast Asian Nations                                                                                                                                                                                                                                                                                                                                 |
| <b>“Best Decade”</b>               | : | Best Decade Holdings Limited                                                                                                                                                                                                                                                                                                                                           |
| <b>“Board”</b>                     | : | The board of Directors of the Company for the time being                                                                                                                                                                                                                                                                                                               |
| <b>“Capacity Reduction Plans”</b>  | : | 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, which is in the northern region of the PRC, in 2017 |
| <b>“CDP”</b>                       | : | The Central Depository (Pte) Limited                                                                                                                                                                                                                                                                                                                                   |
| <b>“Circular”</b>                  | : | This circular to Shareholders dated 2 December 2017                                                                                                                                                                                                                                                                                                                    |
| <b>“Companies Act”</b>             | : | The Companies Act, Chapter 50 of Singapore, as amended, modified and/or supplemented from time to time                                                                                                                                                                                                                                                                 |
| <b>“Company”</b>                   | : | Delong Holdings Limited                                                                                                                                                                                                                                                                                                                                                |
| <b>“Control”</b>                   | : | The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company                                                                                                                                                                                                                                   |
| <b>“Controlling Shareholder”</b>   | : | A person who:<br><br>(a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or<br><br>(b) in fact exercises Control over the Company                                |
| <b>“Delong Steel”</b>              | : | Delong Steel Singapore Projects Pte Ltd, the Company’s indirect wholly-owned subsidiary                                                                                                                                                                                                                                                                                |
| <b>“Delong HK”</b>                 | : | Delong Asset Management (Hong Kong) Limited, the Company’s wholly-owned subsidiary                                                                                                                                                                                                                                                                                     |
| <b>“Directors”</b>                 | : | The directors of the Company as at the Latest Practicable Date                                                                                                                                                                                                                                                                                                         |
| <b>“EGM”</b>                       | : | The extraordinary general meeting of the Company to be held on 18 December 2017 at 55 Market Street, #03-01, Singapore 048941, notice of which is set out in this Circular                                                                                                                                                                                             |

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## DEFINITIONS

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|-----------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“External Consultant”</b>      | : | WISDRI Engineering & Research Incorporation Limited, which is a hi-tech company that is mainly engaged in the business of consulting, engineering and EPC contracting of projects in iron and steel, energy, environment protection, municipal infrastructure and architecture field, manufacturing of mechanical and electrical products, as well as investment, construction, and operation of, amongst others, clean energy, energy conservation, environment protection and industrial gas facilities. <sup>1</sup> |
| <b>“Feasibility Report”</b>       | : | The feasibility study report dated July 2017 issued by the External Consultant covering an analysis on, <i>inter alia</i> , the iron and steel market of Indonesia and the Steel Project. A summary of the Feasibility Report is appended as Appendix I to this Circular                                                                                                                                                                                                                                                |
| <b>“Golden Top”</b>               | : | Golden Top Group Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>“Group”</b>                    | : | The Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>“Honest Joy”</b>               | : | Honest Joy International Ltd                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>“Investment Business”</b>      | : | The business of investing in quoted and/or unquoted securities, as well as providing seed and mezzanine capital to private companies with growth potential and undertaking business incubation and angel investments. Further information on the Investment Business is set out in the Company’s circular dated 31 October 2016                                                                                                                                                                                         |
| <b>“JV Co”</b>                    | : | The joint venture company which has been incorporated in accordance with the Agreement, to undertake and manage the Steel Project, and named PT. Dexin Steel Indonesia                                                                                                                                                                                                                                                                                                                                                  |
| <b>“Latest Practicable Date”</b>  | : | 24 November 2017, being the latest practicable date prior to the despatch of this Circular                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>“Listing Manual”</b>           | : | The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>“Morowali”</b>                 | : | PT. Indonesia Morowali Industrial Park (印尼经贸合作区青山园区开发有限公司)                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>“New Territories”</b>          | : | Southeast Asia, in particular Indonesia and the other ASEAN member states as at the Latest Practicable Date, being Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam                                                                                                                                                                                                                                                                                                   |
| <b>“Parties”</b>                  | : | Delong Steel, Shanghai Decent and Morowali collectively                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>“PRC”</b>                      | : | People’s Republic of China                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>“Proposed Diversification”</b> | : | The proposed diversification of the Group’s business to include the Asset Management Business                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>“Proposed Expansion”</b>       | : | The proposed expansion of the scope and geographical location of the Group’s business into the New Territories                                                                                                                                                                                                                                                                                                                                                                                                          |

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<sup>1</sup> WISDRI Engineering & Research Incorporation Limited. (n.d.). Retrieved from <http://www.wisdri.com/en/about/default.aspx?cid=69>

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## DEFINITIONS

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|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Proposed JV”</b>             | : The proposed joint venture between the Group, Shanghai Decent and Morowali, pursuant to which they shall <i>inter alia</i> invest and undertake the Steel Project, and incorporate a joint venture company for such purpose                                                                                                            |
| <b>“Proxy Form”</b>              | : The proxy form in respect of the EGM as set out in this Circular                                                                                                                                                                                                                                                                       |
| <b>“Securities Account”</b>      | : A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent                                                                                                                                                                                               |
| <b>“SFA”</b>                     | : The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified and/or supplemented from time to time                                                                                                                                                                                                                   |
| <b>“SFC”</b>                     | : The Securities and Futures Commission of Hong Kong, being the independent statutory body responsible for regulating the securities and futures markets in Hong Kong                                                                                                                                                                    |
| <b>“SFO”</b>                     | : The Securities and Futures Ordinance, Chapter 571 of Hong Kong, as amended, modified and/or supplemented from time to time                                                                                                                                                                                                             |
| <b>“SGX-ST”</b>                  | : Singapore Exchange Securities Trading Limited                                                                                                                                                                                                                                                                                          |
| <b>“Shanghai Decent”</b>         | : Shanghai Decent Investment (Group) Co., Ltd (上海鼎信投资（集团）有限公司)                                                                                                                                                                                                                                                                           |
| <b>“Shanghai Decent Group”</b>   | : The group of companies comprising Shanghai Decent and its subsidiaries                                                                                                                                                                                                                                                                 |
| <b>“Shareholders”</b>            | : Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares, mean the persons named as Depositors in the Depository Register maintained by CDP and whose Securities Accounts are credited with the Shares |
| <b>“Shares”</b>                  | : Ordinary shares in the capital of the Company                                                                                                                                                                                                                                                                                          |
| <b>“Steel Business”</b>          | : The principal business of the Group, being the manufacture and sale of hot-rolled steel coils                                                                                                                                                                                                                                          |
| <b>“Steel Project”</b>           | : The steel plant to be constructed at Tsingshan Park with an annual production capacity of 3.5 million tonnes, and as described in Section 6.2 titled <i>“Information on the Steel Project”</i> of this Circular                                                                                                                        |
| <b>“Substantial Shareholder”</b> | : A person who has an interest (directly or indirectly) in not less than five per cent (5.0%) of the total votes attached to all the voting shares in the Company                                                                                                                                                                        |
| <b>“Tsingshan Park”</b>          | : An industrial park named Indonesia Morowali Industrial Park (印尼经贸合作区青山园区) with full auxiliary facilities for nickel mining and smelting and stainless steel manufacturing, developed by Morowali and situated at Trans Sulawesi Rd, 94974, Fatufia, Bahodopi, Kabupaten Morowali, Sulawesi Tengah 94974, Indonesia                     |
| <b>“Tsingshan Holding Group”</b> | : A multi-national corporation founded in 1992 and engaging in the sale and manufacture of steel products                                                                                                                                                                                                                                |
| <b>“Type 9 Licence”</b>          | : Shall have the meaning ascribed to it in Section 3.1 titled <i>“Information regarding the Proposed Diversification”</i> of this Circular                                                                                                                                                                                               |

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## DEFINITIONS

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### **Currencies, Units and Others**

|                    |   |                                          |
|--------------------|---|------------------------------------------|
| “RMB”              | : | Renminbi, the lawful currency of the PRC |
| “S\$” and “cents”  | : | Singapore dollars and cents respectively |
| “US\$” or “USD”    | : | United States dollars                    |
| “%” or “per cent.” | : | Percentage or per centum                 |

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Other capitalised terms are defined where they appear and have the respective meanings there indicated.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term used in this Circular which is defined in the Companies Act, the SFA, or the Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, or the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in figures included in this Circular (if any) between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

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## LETTER TO SHAREHOLDERS

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### DELONG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199705215G)

**Board of Directors:**

Ding Liguu (Executive Chairman)  
Wu Yujie (Executive Director)  
Yuan Weimin (Non-Executive Director)  
Lai Hock Meng (Independent Director)  
Wang Tianyi (Independent Director)  
Wu Geng (Independent Director)

**Registered Office:**

55 Market Street  
Level 10  
Singapore 048941

**2 December 2017**

To: The Shareholders of Delong Holdings Limited

Dear Sir / Madam,

- (A) **THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE ASSET MANAGEMENT BUSINESS;**
- (B) **THE PROPOSED EXPANSION OF THE SCOPE AND GEOGRAPHICAL LOCATION OF THE GROUP'S STEEL BUSINESS TO SOUTHEAST ASIA, IN PARTICULAR INDONESIA AND THE OTHER ASEAN COUNTRIES; AND**
- (C) **THE PROPOSED JOINT VENTURE WITH SHANGHAI DECENT INVESTMENT (GROUP) CO., LTD AND PT. INDONESIA MOROWALI INDUSTRIAL PARK**

#### **1. INTRODUCTION**

The purpose of this Circular is to provide Shareholders with the relevant information relating to, and to seek their approval for, the Proposed Diversification, the Proposed Expansion and the Proposed JV, at the forthcoming EGM to be held on 18 December 2017 at 9.30 a.m. at 55 Market Street, #03-01, Singapore 048941. The Notice of the EGM is set out on page N-1 of this Circular.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The SGX-ST assumes no responsibility for the accuracy of any statements made, opinions expressed or reports contained in this Circular.

#### **2. EXISTING BUSINESS OF THE GROUP**

The Group is principally engaged in the following businesses:

- (a) the manufacture and sale of hot-rolled steel coils in the PRC; and
- (b) investing in quoted and/or unquoted securities, as well as providing seed and mezzanine capital to private companies with growth potential and undertaking business incubation and angel investments.

## LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, the subsidiaries of the Company are as follows:

| Name of subsidiary                                                                                                    | Company of incorporation | Principal activity                                                                                             | Equity interest |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------|-----------------|
| <b>Held by the Company</b>                                                                                            |                          |                                                                                                                |                 |
| Asia Paragon International Limited                                                                                    | British Virgin Islands   | Investment holding                                                                                             | 100%            |
| Dexin Steel Pte Ltd                                                                                                   | Singapore                | Procurement and sale of iron ore                                                                               | 100%            |
| Delong Asset Management (Hong Kong) Limited                                                                           | Hong Kong                | Assets management <sup>(1)</sup>                                                                               | 100%            |
| <b>Held by Asia Paragon International Limited</b>                                                                     |                          |                                                                                                                |                 |
| Delong Steel Limited                                                                                                  | PRC                      | Production and sales of hot-rolled steel coils                                                                 | 100%            |
| Dezhong International Financing Leasing Co., Ltd                                                                      | PRC                      | Finance leasing activities                                                                                     | 100%            |
| <b>Held by Dexin Steel Pte Ltd</b>                                                                                    |                          |                                                                                                                |                 |
| Xingtai Xinlong Coal Gas Co., Ltd                                                                                     | PRC                      | Coal gas recycling                                                                                             | 100%            |
| Xingtai Delong Machinery and Mill Roll Co., Ltd                                                                       | PRC                      | Design, development, manufacturing and sale of large diameter steel mill rollers and large cast steel articles | 100%            |
| Dexin Holdings Pte Ltd                                                                                                | Singapore                | Investment holding                                                                                             | 100%            |
| <b>Held by Delong Steel Limited</b>                                                                                   |                          |                                                                                                                |                 |
| Delong International Trading (Tianjin) Co., Ltd (formerly known as Tianjin Qiruicheng International Trading Co., Ltd) | PRC                      | Investment in resource-related projects and trading in steel and steel-related products                        | 100%            |
| Beijing Longyuan Weida Energy Technology Co., Ltd                                                                     | PRC                      | Technology development, technology advisory and technology related investments                                 | 100%            |
| Delong Steel Singapore Projects Pte Ltd                                                                               | Singapore                | Investment holding                                                                                             | 100%            |
| <b>Held by Dezhong International Financing Leasing Co., Ltd</b>                                                       |                          |                                                                                                                |                 |
| Xingtai DeLei Fuel Trading Co., Ltd.                                                                                  | PRC                      | Construction and operation of petrol gas stations                                                              | 80%             |
| <b>Held by Delong International Trading (Tianjin) Co., Ltd</b>                                                        |                          |                                                                                                                |                 |
| Laiyuan County Aoyu Steel Co., Ltd                                                                                    | PRC                      | Production and sale of hot-rolled coils                                                                        | 100%            |
| <b>Held by Delong Steel Singapore Projects Pte Ltd</b>                                                                |                          |                                                                                                                |                 |
| PT. Dexin Steel Indonesia                                                                                             | Indonesia                | Production and sale of slab, wire rod and bar                                                                  | 45%             |

**Note:**

- (1) As announced by the Company on 21 July 2017, the principal business activity of Delong HK will be assets management, subject to being granted the Type 9 Licence by the Securities and Futures Commission of Hong Kong. As at the Latest Practicable Date, Delong HK is still currently in the process of applying for the aforementioned licence. Accordingly, Delong HK has not commenced operations. Further information on the foregoing is set out in Section 3 titled “*The Proposed Diversification*” of this Circular.

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## LETTER TO SHAREHOLDERS

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As announced by the Company in its announcement dated 18 January 2017, there are 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, which is in the northern region of the PRC, in 2017. The Company understands that the Capacity Reduction Plans are aimed at reducing excess capacity in the steelmaking industry and the resultant environmental impacts, including air pollution, amongst others. As the Company's indirect wholly-owned subsidiary, Aoyu Steel, is located in Baoding, one of the affected cities under the Capacity Reduction Plans, the Company had previously announced that it is anticipated that Aoyu Steel will cease its steelmaking operations in the near future, as required by the local PRC authorities.

Shareholders should however note that as announced by the Company on 22 August 2017, due to a strike by Aoyu Steel's employees on its premises, the Board, with the concurrence of the management of Aoyu Steel, had decided to discontinue Aoyu Steel's operations entirely. Accordingly, Aoyu Steel's operations have ceased completely.

As at the date of this Circular, all the steel mills in Langfang, Baoding and Zhangjiakou have ceased their operations.

Please refer to Section 6.5 below for further details on the Capacity Reduction Plans and cessation of Aoyu Steel's operations.

Due to the expectation that the business environment for the Group's Steel Business in the PRC will continue to be challenging, and following a strategic review by the Board, the Group proposes to undertake:

- (i) the Proposed Diversification to leverage on its networks, experience and resources derived from the Investment Business to generate an additional source of revenue through the provision of investment advisory and management services to third parties; and
- (ii) the Proposed Expansion and the Proposed JV to leverage on the growth potential and vast opportunities in the developing markets of ASEAN,

subject to the receipt of approval from Shareholders. The details of the Proposed Diversification, the Proposed Expansion and the Proposed JV, are set out below.

### **3. THE PROPOSED DIVERSIFICATION**

#### **3.1 Information regarding the Proposed Diversification**

It is envisaged that the continued growth of the Investment Business will allow the Group to widen its network of contacts, as well as to obtain first-hand knowledge and market intelligence on investment opportunities across different industries. Accordingly, upon the approval of Shareholders for the Proposed Diversification being obtained at the EGM, the Company intends to develop the Asset Management Business to carry on the following activities:

- (a) managing and maintaining the investment portfolio of Delong HK's clients;
- (b) conducting investments and executing transactions for Delong HK's clients;
- (c) provision of market research and analysis services to Delong HK's clients; and
- (d) implementing investment strategies and solutions for Delong HK's clients.

The revenue for the Asset Management Business is expected to be substantially derived from the management fees charged, as well as from performance fees and profit sharing.

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## LETTER TO SHAREHOLDERS

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The Company had, on 21 July 2017, announced that it had incorporated Delong HK with an initial registered capital of HK\$30,000,000. Subject to obtaining the relevant approvals, Delong HK is intended to undertake the Asset Management Business. Hong Kong has been selected as the Group's headquarters for the Asset Management Business due to its proximity to the investment opportunities arising out of the PRC, and its reputation and established infrastructure as a global financial hub. In addition, the Board believes that Hong Kong will offer the Group ready access to a large pool of high net worth investors to develop the Asset Management Business.

Asset management is a regulated activity under the SFO, and is subject to the supervision and regulation of the SFC. As announced by the Company on 21 July 2017, Delong HK is currently in the process of applying for registration as a "Type 9 – asset management licensed corporation" (the "**Type 9 Licence**"). Subject to and conditional upon obtaining Shareholders' approval for the Proposed Diversification as well as the Type 9 Licence, Delong HK can then commence business as an asset management firm. The general criteria for the Type 9 Licence is as follows:

- (a) The applicant must be a company incorporated in Hong Kong or an overseas company registered with the Companies Registry of Hong Kong;
- (b) The applicant must satisfy the SFC that it has proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks;
- (c) The applicant must appoint not less than two (2) responsible officers to directly supervise the conduct of the regulated activity, and at least one (1) of such responsible officers must be an executive director as defined under the SFO;
- (d) The applicant's substantial shareholders, officers and any other person who is or is to be employed, or associated with, the applicant for the purpose of the regulated activity shall be fit and proper in accordance with the Fit and Proper Guidelines issued by the SFC; and
- (e) The applicant must maintain minimum paid-up share capital and minimum liquid capital as follows:

| Regulated activity                                                                                                   | Minimum paid-up share capital | Minimum liquid capital |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------|
| Type 9 –<br><br>(a) where the corporation is subject to the licensing condition that it shall not hold client assets | Not applicable                | HKD100,000             |
| (b) in any other case                                                                                                | HKD5,000,000                  | HKD3,000,000           |

Any business activities as aforesaid shall upon approval of the Proposed Diversification by the Shareholders at the EGM, constitute part of the ordinary course of business of the Group.

### 3.2 Other information relating to the Proposed Diversification

On 16 November 2016, the Company had obtained Shareholders' approval to diversify the core business of the Group to include the Investment Business.

To manage and grow the Investment Business, the Group will employ suitable candidate(s) with relevant investment and/or mergers and acquisitions expertise to undertake roles which include, amongst others, conducting market research and analysis, carrying out due diligence checks, ongoing audit and executing investment transactions and exit strategies.

In view of the above, the Group will be able to leverage on the foundations that have already been laid in the development of the Investment Business to kick-start the Asset Management Business by first expanding its own investment portfolio under the Investment Business, and then gradually building up its investment and asset management capabilities with a view to eventually utilising these capabilities in relation to the Asset Management Business.

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## LETTER TO SHAREHOLDERS

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### 3.2.1 Management of the Asset Management Business

The Group aims to venture into the Asset Management Business prudently and will evaluate the manpower and expertise requirements of this new business on a continuing basis.

Delong HK will be jointly managed by Mr. Michael Fan and Ms. Felicia Yuan, both of whom have extensive asset management experience in asset management and are already key persons involved in the Investment Business. Mr. Fan and Ms. Yuan will report to Mr. Tian Lixin, who will in turn report to Mr. Ding Liguu, the Executive Chairman of the Company. Mr. Tian, who has been with the Group since 2008, is the deputy general manager of the Group and is responsible for the Group's overall financial matters. While Mr. Tian has no prior experience in asset management, he will, with the support of the experienced Mr. Fan and Ms. Yuan, assist Mr. Ding in spearheading the Group's Investment Business and Asset Management Business. Further information on the credentials of Mr. Tian, Mr. Fan and Ms. Yuan are set out below.

#### (A) *Information on Mr. Tian*

Mr. Tian is a qualified accountant and Certified Tax Agent. He is currently the deputy general manager of the Group, and oversees the Group's financial and investment matters. Prior to joining the Group in 2008, Mr. Tian had worked in a conglomerate comprising Shijiazhuang Baoshi Electronic Group Co., Ltd. and its subsidiaries, from September 1996 to April 2008, and was involved in the group's financial matters. In particular, he was promoted to head of finance in Shijiazhuang Baoshi Electronic Group Co., Ltd. in September 2006, and remained in such office until April 2008.

Mr. Tian graduated from the Hebei University of Finance and Economics with a bachelor degree in Accountancy in 1996.

#### (B) *Information on Mr. Fan*

From March 2014 to August 2016, Mr. Fan was the Deputy General Manager and Chief Investment Officer of Rongtong Global Investment Limited LLC, Hong Kong, which is the overseas branch of Rongtong Fund Management, a large top-tier mutual fund in the PRC. Mr. Fan set up the branch and was in charge of overall business operations, investment management, risk control, client relationship and business development. He also acted as Chief Investment Officer for the branch's Qualified Foreign Institutional Investor ("QFII") and RMB Qualified Foreign Institutional Investor ("RQFII") platforms and conducted macro and equity research on a routine and ad hoc basis. From June 2011 to February 2014, Mr. Fan was a Principal and Portfolio Manager with Power Pacific Corporation Limited LLC Shanghai, the QFII branch of Power Corporation of Canada. He worked with the Chief Investment Officer to manage a US\$300 million equity with investments in companies listed in the PRC and Hong Kong. Amongst other job functions, he also carried out fundamental primary and secondary research on different sectors, identified and analysed key industry trends and single stock catalysts, as well as recruited and coached junior analysts to deliver high quality fundamental research. Between March 2009 and January 2011, Mr. Fan was a senior analyst at Omega Advisors Inc/Jadeite Capital Advisors LLC, New York. His job functions included working with the portfolio manager to manage a US\$50 million equity book with long/short exposures in Asia and global emerging markets. He also undertook fundamental research, performed absolute and relative valuation analysis, executed daily trading in equities, index futures and single stock options, as well as helped develop the proprietary valuation engine now used at the firm that identifies key valuation metrics and performs comprehensive valuation analysis expeditiously. From August 2007 to February 2009, Mr. Fan was an Associate (Fundamental Research) at the Institutional Equity Derivatives Trading Desk at the Bank of America Merrill Lynch, New York. He performed job functions such as conducting fundamental research, generation of fundamentals-driven equity derivatives long/short, volatility arbitrage and single stock trading ideas to support traders and maximise risk-adjusted gains for the benefit of both clients and trading book. From September 1997 to August 2004, Mr. Fan was a Chief Liaison (Debt Restructuring Team) and then an Analyst (Asset Management Branch) at Guangdong Enterprise Ltd, Hong Kong,

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an investment conglomerate with four public companies and approximately US\$6 billion in total assets. His job functions included analysing financial statements and conducting fundamental research and valuation analysis, as well as analysing capital structures, bank reconciliation and debt structures of the group subsidiaries.

Mr. Fan graduated from the Guangdong University of Foreign Studies with a Bachelor of Economics, Accounting in 1997. He obtained a Master of Science, Accounting and Finance in July 2005 from the London School of Economics and Political Science, and further obtained a Master of Business Administration, Finance in May 2007 from Duke University, The Fuqua School of Business, Durham, North Carolina.

(C) *Information on Ms. Yuan*

From March 2015 to August 2016, Ms. Yuan was the Portfolio Manager and Head of Research of Rongtong Global Investment Limited LLC, Hong Kong. She had, amongst others, managed a handful of long short equity mandates, managed a long only equity mandate specialized in initial public offerings, new listing and private placement investing in Hong Kong stock market, and designed, structured and actively managed several preference shares structured notes. From November 2014 to February 2015, Ms. Yuan was a Portfolio Manager at King Four Fund (a private fund), where she had *inter alia* managed an A share equity mandate. Between April 2007 and October 2014, Ms. Yuan was the Head of Research in the QFII branch of Power Corporation of Canada. Amongst other job functions, she had worked with the Chief Investment Officer and fund manager to manage an equity book with exposures in A, B and H shares in the PRC and Hong Kong markets, delivered deep bottoms-up fundamental research, both primary and secondary, covering banks, insurance companies, brokerage firms, real estate, consumer and the technology, media and telecommunications sectors, identified and analysed key industry trends and single stock catalysts, and recruited and coached junior analysts to deliver high quality fundamental research.

Ms. Yuan graduated from the Shanghai Jiaotong University with a Bachelor of Engineering, Computer Science in 2002. She obtained a Master of Economics, Finance in March 2007 from the Antai College of Economics and Management in Shanghai Jiaotong University.

To support Mr. Fan and Ms. Yuan, the Group may employ suitably qualified employees and experienced finance professionals to form its investment team for the Asset Management Business. These employees and professionals may undertake roles such as collecting and processing market data, conducting portfolio construction and allocation, investment research analysis, forecasting market conditions and developments, undertaking business development and marketing or client servicing, and ensuring regulatory compliance.

(D) *Information on Mr. Ding Ligu*

Mr. Ding Ligu had previously led his private investment team in several investments located primarily in the Asia Pacific region since 2008, including investments in, *inter alia*, (i) Huayi Brothers Media Corporation, a media and entertainment company established in the PRC (from 2008 to 2010), (ii) Cambodia Fiber Optic Communication Network Co., Ltd, a telecommunications service provider established in Cambodia (since 2011 to 2016), and (iii) Optimumnano Energy Co., Ltd, a battery manufacturer established in the PRC (since 2012 to present). Each of such investments has generated positive returns. As such, the Board is of the view that Mr. Ding possesses the requisite expertise and familiarity in investments and will be able to provide sound guidance for the Asset Management Business.

### 3.2.2 Funding

The Company believes that the Asset Management Business is a knowledge- and service-oriented business which does not require substantial initial capital investments and/or cash outlay. Further, it is expected that the Proposed Diversification will be able to tap on the resources of the Investment Business to achieve a gradual synergistic growth of both business segments. Accordingly, the Company proposes to fund the Proposed Diversification through internal resources.

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### 3.3 Rationale for the Proposed Diversification

The inclusion of the Asset Management Business will allow the Group to derive management fees and performance fees from investors, and is thus expected to provide an additional source of recurring revenue for the Group. This will in turn help to cushion the effects of the Capacity Reduction Plans and the cessation of Aoyu Steel's operations. Furthermore, the Group is already in the process of developing the Investment Business. The addition of the Asset Management Business will allow for a more efficient and productive utilisation of the enhanced resources, knowledge base and network of contacts which have been derived from the Investment Business. The Group aims to continue to strengthen its Steel Business, and will gradually develop the Investment Business and the Asset Management Business prudently with a view to enhancing shareholder value over the long-term and achieving long-term growth.

### 3.4 Risk factors associated with the Proposed Diversification

To the best of the Board's knowledge and belief, all the risk factors that are material to Shareholders and prospective investors in making an informed judgment on the Proposed Diversification are set out below. Shareholders should carefully consider and evaluate each of the following risks and all other information contained in this Circular before deciding whether to vote in favour of the Proposed Diversification.

The risks described below are not exhaustive. There may be additional risks not presently known to the Company, or that the Company may currently deem immaterial, which could affect the Group's operations. If any such risks develop into an actual eventuality, the business, operations, financial performance and prospects of the Group may potentially be materially and adversely affected.

#### **The Asset Management Business is subject to competition risks**

The success of the Asset Management Business will depend largely on the Group's ability to establish a foothold in the asset management industry and build a client base of a viable scale. The Group will have to compete with asset management and investment institutions, some of which may be larger, better capitalised, offer a wider range of complimentary investment services, served by more specialised and highly-skilled personnel, and have a stronger presence and longer operating history in the asset management industry. There can be no assurance that the Group can achieve commercial success in its bid to penetrate this industry. Furthermore, the competitive market environment may create pressure on the Group's fee income margins, which will in turn affect the Group's financial performance. If the Group fails to keep up with its competitors in such competitive business environment, the Group may not be able to establish any meaningful book of clients or investment portfolio. The Group will need to undertake extensive marketing activities to develop market awareness and relationships with potential clients and/or investee companies. Such activities will increase the Group's expenses, and such expenditure without a corresponding increase in revenue may have an adverse impact on the Group's growth prospects and financial performance.

#### **The Asset Management Business is heavily reliant on the Group's reputation and any adverse publicity could have an adverse effect on the Group's business and financial performance**

The Asset Management Business relies to a large extent on market perception, as the Group will be operating in an industry where the Group's integrity (and the perception thereof) as well as the trust and confidence of its investors are of utmost importance. Negative publicity associated with the Group or any of its officers or employees may diminish the Group's reputation and credibility, and result in a loss of clients. Accordingly, any perception of, or alleged mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations on the part of the Group may have an adverse effect on the Group's growth prospects, business operations and financial performance.

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### **The Group may be subject to legal actions and/or regulatory sanctions**

The Asset Management Business is subject to a stringent legal and regulatory environment. Any legal action brought against, and/or regulatory sanctions imposed upon, the Group by its clients, its investee companies, and/or the regulatory authorities (as the case may be) could have a material adverse effect on the Group's reputation, business operations, growth prospects, and/or financial performance.

### **The Group's success in the Proposed Diversification will be highly dependent on its ability to engage and retain skilled personnel**

In order to conduct the activities envisaged in the Asset Management Business, the Group will need to engage, train and retain skilled employees and professionals in various fields of expertise, including investment advisory, financial analysis, economics, legal and accounting. If the Group is unable to engage, train and retain the necessary highly skilled personnel, there may be a material adverse effect on the Group's business operations, growth prospects and/or financial performance.

### **The Group may be affected by the actions of its employees and/or the professionals it engages**

Whilst the Group intends to put in place internal policies and guidelines to prevent or mitigate the risks and liabilities relating to employee misconduct or fraud, such precautions may not be effective in all cases. Employee misconduct and/or negligence may result in legal liability, regulatory sanctions and damage to the Group's reputation, and may adversely affect the Group's business operations, growth prospects and/or financial performance.

Furthermore, the rules and regulations applicable to the professionals engaged by the Group may also impose restrictions and/or penalties on the Group in the event that such rules and regulations are breached by the professionals, and consequently materially affect the Group's business operations and/or financial performance.

### **The Group has no prior experience in the Asset Management Business**

Notwithstanding the investment experience of Mr. Ding Liguu, the Executive Chairman of the Company, the Group has no prior experience in the Asset Management Business. Apart from utilising the available resources of the Investment Business, the Group also intends to commit significant efforts towards establishing the Asset Management Business, including developing know-how, implementing internal controls, setting up operating structure, brand development and building book of clients. However, there can be no assurance that the Group will be successful in the Asset Management Business, or that such efforts will result in the seamless integration of the Asset Management Business with the Group's existing businesses. Any delays in integration or unforeseen or unresolved issues may divert or deplete the Group's resources and may adversely affect the Group's overall business operations and/or financial condition.

## **3.5 Rule 1020 of the Listing Manual**

According to Rule 1020 of the Listing Manual, where an issuer, which had originally qualified for a listing of its securities under Chapter 2 of the Listing Manual, intends to set up an investment fund or undertake any business(es) in investment fund management, which in aggregate, exceeds 50% of the issuer's net asset value, the issuer must demonstrate to the SGX-ST that it satisfies the listing requirements for investment funds stipulated in Chapter 4 of the Listing Manual before it takes any steps to undertake such a business, whether through a transaction or a series of transactions.

The Company anticipates that the aggregate value of all assets under management pursuant to the Asset Management Business will not exceed 50% of the Group's net asset value at any point in time, and undertakes that it will comply with the requirements of the Listing Manual in the event that such value is expected to exceed 50% of the Group's net asset value.

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### 4. THE PROPOSED EXPANSION

#### 4.1 Information regarding the Proposed Expansion

The Company wishes to seek Shareholders' approval for the proposed expansion of the scope and geographical location of the Group's Steel Business into Southeast Asia, in particular Indonesia and the other ASEAN member states as at the Latest Practicable Date, being Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (the "**New Territories**").

The Board believes that the Proposed Expansion presents a good opportunity for the Group to achieve geographical diversification of its earning base, especially in light of the impact that the cessation of Aoyu Steel's operations and the Capacity Reduction Plans is anticipated to have on the Group. Further details on the Capacity Reduction Plans and the cessation of Aoyu Steel's operations can be found in Section 6.5 below and in the Company's previous announcements, which can be accessed at [www.sgx.com](http://www.sgx.com).

Although the Company has currently identified the New Territories as an area of expansion, it does not exclude the possibility of engaging in the Steel Business in other countries as and when suitable opportunities arise.

Following the Proposed Expansion, the Group's core Steel Business in both the PRC and the New Territories will include the production and sales of all steel products, including but not limited to, the following:

- (a) hot-rolled coils;
- (b) slab, wire rod and bar; and
- (c) welded pipe and tube.

Any business activities as aforesaid shall upon approval of the Proposed Expansion by the Shareholders at the EGM, constitute part of the ordinary course of business of the Group, **provided that there is no change in the risk profile.**

#### 4.2 Prospects in the New Territories

*Information under this Section is principally extracted from the Feasibility Report, a summary of which is appended hereto as Appendix I. The Feasibility Report contains certain statements that are "forward-looking" and are based on underlying assumptions containing variables that may have changed since the date of issue. As such, these forward-looking statements speak only as of the date of the Feasibility Report and we do not guarantee that the information contained herein is still correct as of the date of this Circular.*

##### 4.2.1 Indonesia

Indonesia, as one of the world's largest developing countries, has maintained rapid economic growth over the past decade. Benefitting from its optimum population structure, low labour costs and large consumer market, Indonesia's economy is expected to maintain its rapid growth rate in the next decade. With its lower labour costs advantage, Indonesia is likely to overtake China and become a manufacturing base for the Southeast Asia countries and the world.

Indonesia's total investment in proportion to its Gross Domestic Product ("**GDP**") has increased year by year, from 25% in 2000 to 35% in 2015. It is predicted that the proportion of Indonesia's investment will continue to grow rapidly in the next decade.

Steel consumption in Indonesia has maintained a rapid growth over the past decade, increasing from 6.4 million tonnes in 2004 to 13.7 million tonnes in 2015, with a compound annual growth rate of around 6%. However, the steel industry in Indonesia is facing a low self-sufficiency rate of iron and steel consumption. In 2015, Indonesia's iron and steel self-sufficiency rate stood at only 36%. In addition, the capacity utilisation rate of iron and steel in Indonesia is also low. Thus,

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Indonesia has to import a large quantity of steel from China, Japan, Korea and Taiwan. Also, Indonesia's current steel consumption per capita is only 53kg, and is far lower than the world average of 224kg of steel consumption per capital even far lower than Vietnam's steel consumption of 227kg per capita. Hence, there is huge potential for Indonesia to raise its domestic iron and steel consumption.

### 4.2.2 Other ASEAN countries

ASEAN is still in the early stages of industrialisation. The crude steel consumption of ASEAN's six (6) countries, namely Singapore, Philippines, Malaysia, Thailand, Vietnam and Indonesia, has doubled in the past 10 years, with Vietnam, Philippines and Indonesia leading the growth of steel consumption in this region.

In addition, the low per capita steel consumption in Philippines, Thailand, Vietnam and Indonesia also indicates that it can be expected that regional steel consumption has great potential for growth. Benefiting from the growth of Indonesia and Vietnam, it is predicted that the crude steel consumption of the abovementioned six (6) countries in ASEAN will reach approximately 125 million tons in 2021.

## 4.3 **Other information relating to the Proposed Expansion**

### 4.3.1 Management and manpower required for the Proposed Expansion

The Group's future success depends substantially on the continued services of its key management personnel. As such, the management of the Proposed Expansion will continue to be spearheaded by the current management of the Company. To the best of the Directors' knowledge, they are not aware of any member of the key management of the Company who intends to leave the Company before the Proposed Expansion is implemented.

The Directors and senior management of the Group are consistently developing expertise internally, through external hires, and through collaborations with experienced companies by joint ventures. The Company, to the best of its abilities, trains its executives and staff by equipping them with the necessary skills to supplement the Proposed Expansion. Where necessary, the Group intends to engage either full-time and/or ad-hoc employees, consultants and advisers to assist its existing management teams in the Proposed Expansion.

As the Group embarks on new opportunities in the New Territories, it will closely monitor the varied political circumstances, market conditions and business culture of the relevant countries, and engage reputable and experienced professionals to carry out market research and analyse the risk exposure before undertaking any projects.

At the initial stage of its foray into the Proposed Expansion, the Group may likely foster partnerships and joint ventures with various third parties who have experience in the relevant markets in various cities in the New Territories, and in particular, Indonesia, as and when the opportunity arises, as the Group builds its expertise and experience in such new markets. Where necessary, work may be outsourced to third parties who have expertise in the relevant areas in relation to the projects concerned. In selecting its partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the partners concerned. As such, in relation to the Proposed JV, which is the current project that the Group is proposing to undertake to facilitate the Proposed Expansion, the Group will be partnering with Shanghai Decent and Morowali, so as to tap on their experience and expertise in the region. Further information on the Proposed JV is set out in Section 6 titled "*The Proposed JV*" of this Circular.

### 4.3.2 Funding

The Company believes that the Proposed Expansion will require a substantial amount of capital investments and/or cash outlay. The Company proposes to fund the Proposed Expansion through a combination of internal sources of funds and borrowings from financial institutions.

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### 4.4 Rationale for the Proposed Expansion

The Proposed Expansion is a part of the Group's corporate strategy, together with the inclusion of the Investment Business and the Asset Management Business, to provide Shareholders with diversified returns and long-term growth. The Board believes that the Proposed Expansion can reduce the Group's reliance on its existing core Steel Business in the PRC. The Proposed Expansion is expected to offer new business and investment opportunities, provide the Group with new revenue stream potential, and improve the growth prospects of the Group in the Steel Business going forward.

The New Territories have been selected by the Company, with the help of the External Consultant who, as disclosed in Section 4.2 above titled "*Prospects in the New Territories*", has identified promising business and investment opportunities in these countries in relation to the manufacturing and sale of slab, wire rod and bar and welded pipe and tube.

### 4.5 Risk factors associated with the Proposed Expansion

To the best of the Board's knowledge and belief, all the risk factors that are material to Shareholders and prospective investors in making an informed judgment on the Proposed Expansion are set out below. Shareholders should carefully consider and evaluate each of the following risks and all other information contained in this Circular before deciding whether to vote in favour of the Proposed Expansion.

The risks described below are not exhaustive. There may be additional risks not presently known to the Company, or that the Company may currently deem immaterial, which could affect the Group's operations. If any such risks develop into an actual eventuality, the business, operations, financial performance and prospects of the Group may potentially be materially and adversely affected.

#### **The Group has limited/ no prior track record and operating history in the New Territories covered by the Proposed Expansion**

The Group does not have a proven track record in carrying out the Steel Business in the New Territories. Furthermore, the Proposed Expansion involves business risks, including the financial costs of setting up new operations, high capital investment and maintaining working capital requirements. These factors may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or expansion. Accordingly, there is no assurance that the Proposed Expansion will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the Proposed Expansion.

If the Group does not derive sufficient revenue from or does not manage the costs of the Proposed Expansion effectively, the overall financial position and profitability of the Group may be adversely affected.

#### **The Group may not have sufficient relevant expertise to ensure success of the Group in a particular country**

Operating in a new geographical location may cause the Group to face additional risks, uncertainties and problems commonly associated with the entry into any new market which it has no prior track record in. The Steel Business is dependent on skilled expertise such as workers, supervisors and managerial staff with relevant industry experience. Any inadequacy in the availability of such human resources will have an adverse effect on the operations of the Steel Business in the New Territories and eventually the Group's financial performance. The Group may also face limitations in recruiting the right personnel or gather sufficient expertise to successfully execute the Steel Business in the New Territories. The Group's ability to successfully implement the Proposed Expansion is further dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the foreign business environments associated with the Proposed Expansion.

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In addition, the Group's current management may not have the relevant local expertise to ensure success in relation to the Proposed Expansion. While the Group will seek to engage additional persons with the relevant expertise and experience for the Group's proposed operations in the New Territories, there is no assurance that the Group will be able to attract and retain the right persons. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel with detailed knowledge of operating in the New Territories, the Group may not be able to successfully implement the Proposed Expansion, and the Group's business and financial performance may be adversely affected.

### **The Group is exposed to risks associated with acquisitions, joint ventures or strategic alliances which it does not control**

Depending on available opportunities, feasibility and market conditions, the Group's Proposed Expansion may involve acquisitions, joint ventures and/or strategic alliances with third parties in the New Territories. Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management's attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. The successful implementation of the Group's growth strategy for the New Territories also depends on the Group's ability to identify suitable partners and the successful integration of their operations with the Group. As the Group is expected to rely on its joint venture partners at the initial stage of its foray into the Proposed Expansion, and there is a risk that if any of its joint venture partners is unable to deliver its obligations or commitments under the joint venture (such as failure to perform according to the expertise expected of the joint venture partner or meet its financial obligations), it may delay the progress of the Group's business plans and/or result in losses to the Group.

Further, the Group may hold investments through or make investments in entities that are not the Group's subsidiaries and over which the Group does not have majority control as part of the Proposed Expansion plan. There is no assurance that the Group will be able to influence the management, operation and performance of these entities through its voting rights, in a manner which would be favourable to the Group, or at all. This may in turn cause the Group to be unable to execute growth strategies successfully, thereby causing the performance of any strategic alliances, acquisitions or investments to fall short of expectations. In such event, the Group's business and financial performance may be adversely affected.

### **The Group is subject to various government regulations in the New Territories**

The steel industry is subject to the laws and regulations of the New Territories, including state laws. Laws and regulations governing business entities in the New Territories may be subject to a number of possibly conflicting interpretations, both by business entities and by the courts. From time to time, new laws and regulations may be adopted which the Group may have to comply with. Any amendment or change in the applicable laws, regulations, policies or in the regulatory conditions of any country in the New Territories could result in higher compliance costs and other legal consequences, which may in turn have an adverse effect on the Proposed Expansion and the business and financial performance of the Group.

Licences, permits, certificates, consents or regulatory approvals may be required for, among other things, operating the Steel Business in the New Territories. The Group may also be required to comply with the appropriate regulations in relation to workplace health and safety, environmental public health and environmental pollution control. Failure to comply with the applicable laws and regulations may subject the Group to penalties or have its licences or approvals revoked, or lose the right to own, develop or manage its properties, all of which could adversely affect the Group's operations and financial performance, including undertaking the relevant segment of the Proposed Expansion.

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Changes in government regulations in which the Group undertakes the Proposed Expansion may also result in the Group being unable to effectively undertake the Steel Business in the New Territories. The construction of manufacturing plants and steel mills which are critical components of the Steel Business, may also be subject to regulatory controls on zoning and development, planning, design and construction as well as mortgage and financing requirements. In the event that there are changes to these requirements, the Group's business and financial performance may be adversely affected.

### **The Group may be affected by adverse changes in the political, economic, or social conditions in the New Territories**

The Group will be governed by the laws, regulations and government policies in the states, countries and areas in which it plans to operate. Following the Proposed Expansion, the Group's future growth will depend on the political, economic and social conditions in these countries. Any economic recession or changes in policies in the countries, currency and interest rate fluctuations, capital controls or capital restrictions, labour laws, changes in environmental protection and worksite safety laws and regulations, duties and taxation and limitations on imports and exports could materially and adversely affect the Group's operations, financial performance and future growth.

Terrorist activities, unsettled political conditions, anti-terrorist efforts, piracy or other armed conflict involving countries in ASEAN or their interests abroad may adversely affect these countries and global economies. If events of this nature occur and persist, the associated political instability and societal disruption could adversely affect the business and financial performance of the Group. The Group's business and financial performance could also be adversely affected if any infrastructure or property integral to its operations is destroyed or damaged by such an attack. Insurance coverage may become more difficult to obtain, if available at all.

### **The Group may be susceptible to operating risks common to the steel industry and which may result in losses and claims against the Group for which the Group may not have sufficient insurance coverage**

Following the Proposed Expansion (if approved by Shareholders at the EGM), the Group may be susceptible to operating risks common to the steel industry, including but not limited to increase in operating costs due to inflation, increase in labour costs and other expenses as well as adverse fluctuations of international pricing. Other industry operating risks include the risk of fire, explosions, blow-outs, abnormal geological formations, mining mishaps, severe seismic activities, flooding, extended interruptions due to inclement or hazardous weather conditions, natural disasters and environmental hazards such as gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these risks and hazards could result in substantial losses to the Group due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Such losses may have a material adverse effect on the Group's business, financial performance, financial condition, results of operations and prospects. Damage occurring as a result of such risks may give rise to claims against the Group which may not be covered, in whole or in part, by insurance. While the Group intends to and will endeavour to obtain sufficient insurance coverage for its business, certain types of losses and/or claims such as acts of God, acts of terrorism, war and civil disorder are generally very costly to insure against and it may not be practical, cost-effective or within its financial ability to obtain sufficient insurance coverage, if at all, for such losses and/or claims. In the event such losses and/or claims are not adequately covered, if at all, by insurance, its business, financial performance, financial condition, results of operations and prospects of the Group may be materially and adversely affected.

### **The Group may not be able to compete successfully with other competitors**

The Group may face competition from existing steel manufacturers in the New Territories. Some of these companies have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Group can compete effectively with these companies. A failure to compete successfully against other steel manufacturers may result in the Group being unable to find distributors or customers for its products, thereby adversely affecting its financial performance.

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### **The Group will be exposed to general business risks in executing the Steel Business in the New Territories**

The Proposed Expansion is subject to those risks normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company. In the event that the Group is exposed to any of the above circumstances and is unable to resolve the problems arising thereby in a timely and effective manner, the Group's business and financial performance may be adversely affected.

### **The Group may require additional financing for working capital requirements in connection with expanding into the New Territories**

Projects undertaken pursuant to the Proposed Expansion in the New Territories may require substantial working capital and cash outlay. The Group may need to use cash from operations, or incur additional borrowings or obtain additional debt or equity financing for the increase in working capital levels or for the funding of these projects. Additional equity financing may lead to a dilution in the interests of the Shareholders and reduce dividends payable (if any) on a per Share basis. Should additional borrowings or debt financing be required or if cash from operations is used, the Group's ability to pay dividends (if any) may be restricted due to a reduction in the Group's available cash due to interest payments and/or principal repayments and/or restrictive covenants pertaining to the payment of dividends. Such financing may also increase the Group's vulnerability to economic and industrial conditions due to increased demands on its operating cashflow.

Further, there is no assurance that the Group will be able to obtain additional financing on terms that are acceptable to it, or at all. The Group's ability to obtain bank financing or to access the capital markets for future offerings of equity, debt or convertible securities may be limited by its financial position at the time of any such financing or offering, limitations imposed by its existing credit facilities, as well as by adverse market conditions resulting from, *inter alia*, general economic conditions and contingencies and uncertainties that are beyond its control.

### **The Group is susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses**

The Group may be making investments in assets located in the New Territories, which will be denominated in currencies other than its functional currency, RMB. The Group's revenue from operating the Steel Business in the New Territories will similarly be denominated in the currencies of the respective countries in which it is involved. The Group will therefore be exposed to risks associated with exchange rate fluctuations between the RMB, and the currencies of the New Territories. Should the RMB appreciate in value against the currencies of the New Territories in which the Group invests, there may be a material adverse effect on the Group's net asset value, results of operations and profitability. While the Group may enter into hedging transactions to protect itself or its portfolio from, amongst other things, the effects of exchange rate fluctuations between the RMB and such other currencies such as interest rate hedging instruments, purchasing or selling futures contracts, purchasing put and call options or entering into forward agreements, these hedging activities may not have the desired beneficial impact on the results of operations or financial condition of the Group, and may not completely insulate the Group from the risks associated with changes in interest rates and exchange rates. In addition, hedging activities involve risks and costs, including transaction costs, which may reduce overall returns. The Group will regularly monitor the feasibility of engaging in such hedging transactions taking into account the cost of such transactions.

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### 5. APPLICATION OF CHAPTER 10 OF THE LISTING MANUAL

As the Proposed Diversification will result in an expansion of the Group's business to a new business sector, it is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Similarly, as the Proposed Expansion will involve new markets and territories, it is envisaged that the Proposed Expansion will also change the existing risk profile of the Group. Accordingly, an EGM is convened by the Company to seek Shareholders' approval for the Proposed Diversification and the Proposed Expansion.

Upon obtaining the approvals by Shareholders of the Proposed Diversification and the Proposed Expansion respectively, any investment or acquisition in connection with the Proposed Diversification and/or the Proposed Expansion (as the case may be) may be deemed to be in the Group's ordinary course of business, **provided that they do not change the risk profile of the Group** and therefore not fall under the definition of a "transaction" under Chapter 10 of the Listing Manual.

Accordingly, the Group may, in its ordinary course of business, at present or in the foreseeable future, enter into transactions relating to the Proposed Diversification and/or the Proposed Expansion **that do not change the Group's risk profile** without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Proposed Diversification and/or the Proposed Expansion arise, even where they have crossed the applicable thresholds and would constitute a "major transaction". This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and the Group as the Group is given the flexibility to pursue good business opportunities which may be time-sensitive in nature as and when they arise.

Pursuant to Rule 1014 of the Listing Manual, a major transaction is a transaction (as defined in Rule 1002(1) of the Listing Manual) where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and must be made conditional upon approval by shareholders in a general meeting.

For the avoidance of doubt, notwithstanding the Proposed Diversification or the Proposed Expansion, in respect of transactions:

- (a) where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 100% or results in a change in Control of the Company, Rule 1015 of the Listing Manual will still apply to such transactions and such transactions must be, among others, made conditional upon approval by Shareholders in general meeting;
- (b) which constitute an "interested person transaction" as defined under the Listing Manual, Chapter 9 of the Listing Manual will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Listing Manual; and
- (c) which involve any change in the risk profile of the Company,

the Company will make the relevant announcement(s) and seek the prior approval of the Shareholders at a general meeting before embarking on such projects.

### 6. THE PROPOSED JV

#### 6.1 Background

On 12 June 2017, the Company announced that the Group's indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd, had on 12 June 2017 entered into a joint venture agreement with Shanghai Decent Investment (Group) Co., Ltd (上海鼎信投资(集团)有限公司) and, PT. Indonesia Morowali Industrial Park (印尼经贸合作区青山园区开发有限公司), pursuant to which the Parties have agreed *inter alia* to invest and construct a steel project at Tsingshan Park, and to set up a joint venture company in Indonesia named PT. Dexin Steel Indonesia for such purpose.

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The Proposed JV is expected to constitute a very substantial acquisition under Chapter 10 of the Listing Manual and is therefore subject to, amongst others, the approval of the Shareholders.

### 6.2 Information on the Steel Project

The Parties propose to jointly invest in and construct a steel plant with an annual capacity of 3.5 million tonnes at Tsingshan Park, an industrial park developed by Morowali situated at Bahadopi Village, Morowali County, Central Sulawesi Province, Indonesia, with full auxiliary facilities for nickel mining and smelting and stainless steel manufacturing.

It is expected that the steel plant will produce slab, wire rod and bar to be sold mainly to customers in Indonesia, whilst any surplus products will be exported to other ASEAN markets.

The Proposed JV will enable the Group to leverage on Shanghai Decent and Morowali's extensive experience and expertise in the steel business in Indonesia, and also facilitate the Group's expansion into the ASEAN markets.

The Group expects that the construction costs of the steel plant and installation of machinery and equipment to be approximately USD950 million, and the entire process will take between twelve (12) to fourteen (14) months to complete. Barring any unforeseen circumstances, the Group expects the Steel Project to be fully operational in late 2018.

#### 6.2.1 Information on Tsingshan Park

In 2009, the Shanghai Decent Group from the PRC entered into a strategic collaboration with the PT Bintangdelapan Investama from Indonesia to invest in Indonesia's nickel ore mining and exporting, as well as ferro nickel smelting, industries. They also agreed to collaborate in the development of Tsingshan Park, which was envisaged to be of great significance to the promotion of China-Indonesia and China-ASEAN economic cooperative relationships.

Tsingshan Park is located close to an inter-provincial highway and one kilometre (1 km) away from the coastline. The developer of the industrial park, which also owns the land and manages the park, is PT. Indonesia Morowali Industrial Park, an Indonesian joint venture company which is owned by Shanghai Decent Investment (Group) Co., Ltd. (49.69%), PT Bintangdelapan Investama (25.31%) and PT Sulawesi Mining Investment (25.0%), which is in turn 50.35% owned by the Shanghai Decent Group. In 2015, Tsingshan Park was awarded "*Outstanding Industrial Park Award*" by Indonesia's Ministry of Industry<sup>2</sup> and in 2016, it was jointly designated by the PRC's Ministry of Commerce and Ministry of Finance as a "*Chinese Overseas Cooperation Zone*"<sup>3</sup>.

Tsingshan Park covers an area of more than 2,000 hectares, and is accessible by sea, land and air. It has approximately 1,130,000 kilowatts of electricity generating capacity, four (4) secondary base stations, ten (10) sets of satellite TV receiving systems, a 30,000-tonne quay berth, eight (8) 5,000-tonne quay berths and more than 70 completed buildings which are already in use. Shipping lines linking Tsingshan Park with the major coastal ports in the PRC have been established, with smooth and efficient logistics and customs clearance operations. By the end of the second quarter in 2017, the actual implemented investment in Tsingshan Park stood at around USD2.92 billion in total.

A brief overview of the existing and on-going projects in Tsingshan Park is provided below:

- The first project undertaken in Tsingshan Park was the development of a nickel pig iron and captive power plant by PT. Sulawesi Mining Investment (a joint venture company of the Shanghai Decent Group and the PT Bintangdelapan Investama) at the total costs of approximately USD628 million. This plant occupies an area of 95 hectares and can produce

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<sup>2</sup> Belt and Road Portal (中国一带一路网). (2017). "Zhong guo yin ni zong he chan ye yuan qu qing shan yuan qu." 中国印尼综合产业园区青山园区. Retrieved from: <https://www.yidaiyilu.gov.cn/qyfc/xmal/6014.htm>

<sup>3</sup> Belt and Road Portal (中国一带一路网). (2017). "Zhong guo yin ni zong he chan ye yuan qu qing shan yuan qu." 中国印尼综合产业园区青山园区. Retrieved from: <https://www.yidaiyilu.gov.cn/qyfc/xmal/6014.htm>

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300,000 tonnes of nickel pig iron annually. The construction of this nickel pig iron and captive power plant started in July 2013 and was completed for commissioning in January 2015. On May 29, 2015, Indonesian President Joko Widodo personally attended at the site, to announce the formal commencement of operations of the plant.

- The second project undertaken in Tsingshan Park was the development of another nickel pig iron and captive power plant by PT. Indonesia Guang Ching Nickel and Stainless Steel Industry at the total costs of approximately USD1 billion. This plant occupies an area of 86 hectares and is expected to produce 600,000 tonnes of nickel pig iron annually. The construction of this nickel pig iron and captive power plant started in May 2014 and was put into partial production in March 2016.
- The third project undertaken in Tsingshan Park was the development of a stainless steel slab and captive power plant by PT. Indonesia Tsingshan Stainless Steel at the total costs of approximately USD833 million. This plant occupies an area of 90 hectares and is expected to produce 1,000,000 tonnes of stainless steel slab and 600,000 tonnes of nickel pig iron annually. The construction of the plant started in July 2015. The significance of this project is that it will serve as an example to encourage other Chinese or Indonesian manufacturers to enter into Tsingshan Park to invest in stainless steel downstream processing.
- Other on-going projects at Tsingshan Park include PT. Indonesia Ruipu Nickel And Chrome Alloy Company's USD460 million high-carbon ferro chrome and stainless steel cold rolling plant, occupying 40 hectares with an annual output of 600,000 tonnes of high-carbon ferro and 700,000 tonnes of stainless steel cold rolls; and construction of Tsingshan Park's 100,000-tonne bulk cargo wharf and other park supporting facilities.

As the first mega project to be substantially developed pursuant to a package of commercial agreements between the PRC and Indonesia, Tsingshan Park is expected to serve as a model overseas cooperation zone in the domain of China-Indonesia mineral resources development and cooperation. Upon completion of all the projects within the park, the total stainless steel slab production capacity will reach 3,000,000 tonnes annually. This is expected to further attract more stainless steel processing enterprises to invest in the park and thus allow the park to establish its reputation as an exemplary industrial park and cooperation platform for the PRC and Indonesia in the pursuit of bilateral cooperation in production capacity and equipment manufacturing.

### 6.2.2 Information on Shanghai Decent

With more than 20 years' dedication to the industry of ferronickel & stainless steel, Tsingshan Iron & Steel (the holding company of the Shanghai Decent Group) has established a strong foothold in the whole stainless steel industry chain from nickel ore mining and ferronickel smelting to stainless steel smelting, stainless steel slab casting as well as stainless steel flat and long product processing. In the PRC, Tsingshan Iron & Steel was ranked No.164 among the Top 500 Chinese Enterprises, No. 69 among the Top 500 Chinese Manufacturing Enterprises, No. 24 among the Top 500 Chinese Private Enterprises and No.12 among the Top 500 Chinese Private Manufacturing Enterprises in 2016. With over 31,000 employees, Tsingshan Iron & Steel produced 5.8 million tons of crude steel and achieved sales revenue of RMB102.8 billion in 2016, and is securely ranked foremost among stainless steel industries with its comprehensive strength.

Shanghai Decent is one of the group corporations under Tsingshan Iron & Steel with a registered capital of RMB2.2 billion. As the main force of the international operations of Tsingshan Iron & Steel from 2007, the Shanghai Decent Group has established a sound service system providing support to the stainless steel manufacture and supply chain from upstream raw material development and investment, global purchase, marine logistics to stainless steel product processing, international trade. Shanghai Decent has been playing a major part in the management of overseas investment projects and in the import and export of bulk materials and construction equipment.

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### 6.2.3 Information on Morowali

Morowali is a company incorporated in Indonesia and is 49.69% owned by Shanghai Decent, 25.31% owned by the PT Bintangdelapan Investama, and 25% owned by PT Sulawesi Mining Investment, which is in turn, 50.35% owned by the Shanghai Decent Group. PT Bintangdelapan Investama is a privately-owned business conglomerate based in Central Sulawesi Province, Indonesia. Its business operations include Mining, Oil and Gas, Distribution, Manufacture and Sale of Chemical Products, Wood Processing and Fertiliser Sales.

Morowali is the developer and manager of Tsingshan Park. It also owns the land on which the park is located.

### 6.3 **Information on the JV Co**

Pursuant to the Agreement, the JV Co has been incorporated in the Republic of Indonesia with an authorised capital of USD150 million (or such equivalent in Indonesian rupiah) divided equally into 150,000 ordinary shares ("**JV Co Shares**") of USD1,000 (or such equivalent in Indonesian rupiah) each. The JV Co will be principally engaged in the business of manufacture and sale of steel bar, wire and slab. The JV Co will only contribute equity and commence construction and operations after the Company has obtained Shareholders' approval for the Proposed JV.

The Agreement shall take effect upon, *inter alia*, the Group obtaining approval from the SGX-ST and the Shareholders.

While there are currently no licences or regulatory approvals required by Indonesian government authorities in relation to the construction of the Steel Project, the Company understands that certain licences and regulatory approvals will be required for the commencement of operations and product sales by the JV Co in due course. The management of the JV Co will apply for such licences and regulatory approvals where necessary.

The Company will make an announcement as and when such licenses have been obtained and regulatory approvals have been granted.

Further salient information on the JV Co based on the terms of the Agreement are set out in detail below.

#### 6.3.1 Shareholding Proportion

Delong Steel, Shanghai Decent and Morowali hold such number of JV Co Shares representing 45%, 43% and 12% in the total issued share capital of the JV Co, respectively.

Further to the above, Morowali is 49.69% owned by Shanghai Decent and 25% owned by PT Sulawesi Mining Investment, which is in turn, 50.35% owned by the Shanghai Decent Group.

#### 6.3.2 Board Composition

The board of the JV Co (the "**JV Co Board**") will comprise 5 members, of whom 2 directors (including the Chairman of the JV Co Board) shall be appointed by Delong Steel, 2 directors (including the finance director) shall be appointed by Shanghai Decent and 1 director shall be appointed by Morowali.

#### 6.3.3 Board of Commissioners

The Board of Commissioners of the JV Co will comprise 5 members, of whom 2 shall be designated by Delong Steel, 2 (including the Chairman of the Board of Commissioners) shall be designated by Shanghai Decent, and 1 shall be designated by Morowali.

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### 6.3.4 Profit Distribution

Pursuant to the Agreement, at least 30% of the net profits earned by the JV Co in each financial year will be distributed to the shareholders of the JV Co (“**JV Co Shareholders**”) in their respective shareholding proportion, and any distribution of the remaining profits or retained earnings shall be decided in a general meeting of the JV Co (“**JV Co Shareholders’ Meeting**”). The JV Co Shareholders shall bear any tax or foreign exchange gain/loss in relation to such profit distribution based on their respective shareholding proportion. If there are any other arrangements with lending banks of the JV Co in relation to the distribution of profits, such arrangements shall take precedence.

### 6.3.5 Share Transfer Restrictions

A JV Co Shareholder can transfer all or part of its JV Co Shares to any other JV Co Shareholder. In the event that a JV Co Shareholder wishes to transfer its JV Co Shares (the “**Transfer Shares**”) to any other persons (the “**Proposed Transfer**”), the unanimous consent of the other JV Co Shareholders shall first be obtained. Once unanimous consent is obtained, and provided that the other JV Co Shareholders do not offer to purchase the Transfer Shares on similar terms as that offered by the third party, the JV Co Shareholder can then transfer the Transfer Shares to the third party. However, in the event that any of the other JV Co Shareholders disagree with the Proposed Transfer, the disagreeing JV Co Shareholders shall, within 10 business days after the date of the notice of the Proposed Transfer, exercise its pre-emption right to purchase the Transfer Shares on similar terms as that offered by the third party, failing which such disagreeing JV Co Shareholder shall be deemed to have agreed to the Proposed Transfer.

### 6.3.6 Deadlock

A deadlock is deemed to have arisen (i) if the requisite quorum of shareholders holding at least 75% of the JV Co’s voting rights for a general meeting is not obtained after a general meeting has been convened on 2 separate occasions; or (ii) the JV Co is unable to pass a resolution in relation to the same matter after a general meeting has been convened on 3 separate occasions. Further to the above, any matter outside the day to day running of the JV Co’s business and which are not in the ordinary course of the JV Co’s business shall be passed by way of shareholder resolutions comprising at least 75% of the JV Co’s voting rights.

In the event the deadlock is not resolved, each JV Co Shareholder shall have the right to notify the other JV Co Shareholders of its intention to purchase each of their JV Co Shares. If there is more than one JV Co Shareholder which intends to purchase the other JV Co Shares, the JV Co Shareholder which has offered the highest purchase price shall be entitled to purchase the JV Co Shares of the other JV Co Shareholders.

## 6.4 Other salient terms of the Proposed JV

The other salient terms of the Proposed JV, based on the terms of the Agreement, are set out below.

### 6.4.1 Amount of Initial Investment

Under the Agreement, the estimated total initial investment amount of the Proposed JV is approximately USD950 million, of which USD285 million will be contributed by the Parties and the remaining USD665 million is intended to be funded through mid-term or long-term bank financing (if obtained).

The total investment amount was arrived at based on the estimated initial investment outlay required for the Steel Project, including but not limited to the amount needed for the purchase of land, the construction of the plant, equipment engineering, equipment installation and other expenses.

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The financing structure of the Proposed JV pursuant to the Agreement is set out below. Any changes to the financing structure set out in the Agreement that is decided in a JV Co Shareholders' Meeting shall prevail. **The Company will make an announcement should there be any material changes to the financing structure.**

### (1) Capital contribution towards the JV Co

Pursuant to the Agreement, after (a) approval in-principle from the Badan Koordinasi Penanaman Modal, the Investment Coordinating Board of the Republic of Indonesia, has been obtained, (b) the legalisation of the JV Co as a legal entity by the Ministry of Law and Human Rights of Indonesia has been completed, and (iii) the other general licenses have been obtained, and within fifteen (15) business days after the opening of a bank account by the JV Co, the Parties shall contribute to the capital of the JV Co in the following proportions by way of immediately available funds:

|                 | Amount of contribution<br>(USD) | Number of ordinary shares | Shareholding Proportion (%) |
|-----------------|---------------------------------|---------------------------|-----------------------------|
| Delong Steel    | 16,875,000                      | 16,875                    | 45                          |
| Shanghai Decent | 16,125,000                      | 16,125                    | 43                          |
| Morowali        | 4,500,000                       | 4,500                     | 12                          |
| Total           | 37,500,000                      | 37,500                    | 100                         |

Subsequently, within fifteen (15) business days after the receipt of a duly endorsed notification by the JV Co for additional capital injection, the notified Party shall further contribute to the capital of the JV Co for the following amount:

|                 | Amount of contribution<br>(USD) | Number of ordinary shares | Shareholding Proportion (%) |
|-----------------|---------------------------------|---------------------------|-----------------------------|
| Delong Steel    | 50,625,000                      | 50,625                    | 45                          |
| Shanghai Decent | 48,375,000                      | 48,375                    | 43                          |
| Morowali        | 13,500,000                      | 13,500                    | 12                          |
| Total           | 112,500,000                     | 112,500                   | 100                         |

### (2) Shareholders' loans

After the Parties have fully contributed to the issued and paid-up capital of the JV Co (as set out above), they shall provide shareholders' loans amounting to an aggregate of USD135 million in accordance with their respective shareholding proportion in the JV Co. Each Party shall provide the loan within fifteen (15) business days after the receipt of a duly endorsed notification by the JV Co. Accordingly, Delong Steel, Shanghai Decent and Morowali will be expected to provide a shareholder's loan of USD60.75 million, USD58.05 million and USD16.2 million, respectively, to the JV Co pursuant to the Agreement.

The interest rate chargeable on the shareholders' loans shall be determined in a subsequent JV Co Shareholders' Meeting based on the performance of the Steel Project. Such shareholders' loans shall be subordinated to bank loans. The Parties will be repaid concurrently based on their respective shareholding proportion in the JV Co.

### (3) Mid-term or long-term bank financing

In addition to the modes of financing mentioned above, any further financing requirement of the Steel Project shall be satisfied by way of mid-term or long-term project financing from banks. In the event that the banks require security for the provision of financing, Delong Steel and Shanghai Decent shall each provide a corporate guarantee amounting to 45% and 55% of the relevant bank loan respectively.

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During the construction of the Steel Project, if the JV Co urgently requires funds and subject to any objection from the lending banks, the Parties shall provide the requested funds according to their respective shareholding proportion in the JV Co. Any repayment of such urgent funds shall be made to the Parties based on their respective shareholding proportion in the JV Co, within ten (10) business days after the lending banks approve the financing for the Steel Project.

Subject to the total initial investment amount being USD950 million, in the event that bank financing is not obtained or is insufficient for the Steel Project, the Parties shall advance further shareholders' loans for such amount which bank financing is not obtained, according to their respective shareholding proportion in the JV Co. Such advancement shall be made within fifteen (15) business days after the JV Co gives a duly endorsed written notification to the Parties of the foregoing. The interest rate payable on such shareholders' loans shall be determined in a subsequent JV Co Shareholders' Meeting based on the performance of the Steel Project. Any repayment shall be made to the Parties concurrently based on their respective shareholding proportion in the JV Co.

Any changes to the financing structure set out in the Agreement that is decided in a JV Co Shareholders' Meeting shall prevail. **The Company will make an announcement should there be any material changes to the financing structure.**

In light of the above, the aggregate initial amount that the Group is likely to contribute to the Proposed JV is approximately USD427.5 million, comprising USD67.5 million contribution to the paid-up capital of the JV Co, USD60.75 million in shareholders' loans, and USD299.25 million in corporate guarantee and/or additional shareholders' loans (as the case may be).

The Board, with the concurrence of the Audit Committee, have assessed the financial standing of Shanghai Decent and Morowali and concluded that they will be able to meet their respective financial obligations towards the JV Co as set out above based on their track record as follows:

- (a) as mentioned in Section 6.2.1, the Shanghai Decent Group has successfully undertaken significant projects in Indonesia since 2009 which have shown outstanding positive results; and
- (b) as mentioned in Section 6.2.2, Tsingshan Iron & Steel (the holding company of the Shanghai Decent Group) is securely ranked foremost amongst steel industries with its comprehensive strength.

### 6.4.2 Undertaking relating to Infrastructures

Shanghai Decent and Morowali undertake to ensure that the infrastructure necessary for the Steel Project are put in place, including without limitation, water, electricity, land, and port and jetty, in accordance with the "Letter of Confirmation in relation to Co-operation Arrangement for Steel Project" ("**Letter of Confirmation**") that was signed by Morowali at the time of signing of the Agreement. Any adverse consequences suffered by Delong Steel as a result of any untrue representation or any breach of obligations in the Letter of Confirmation shall be borne by Shanghai Decent and Morowali jointly and severally. The consideration for purchasing the land for the construction of the Steel Project was arrived at on a willing buyer, willing seller basis, after taking into account the net book value of the land as recorded in the books of the selling party, and development fees for infrastructure on the land such as roads, water, electricity and port and jetty.

### 6.4.3 Pre-Incorporation Expenses

If the joint venture company is not successfully incorporated, all relevant pre-incorporation expenses shall be borne by the Parties based on their proposed shareholding proportion. The JV Co has been incorporated in the Republic of Indonesia on 31 August 2017.

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### 6.4.4 Undertaking

Any employee designated by a JV Co Shareholder to work in the JV Co (the “**Designated Employee**”) shall not be employed or effectively engaged by any other JV Co Shareholders or their related companies. Upon the exit of a JV Co Shareholder from the JV Co, its Designated Employees shall also exit the JV Co. The other non-exiting JV Co Shareholders undertake not to, and shall procure that the JV Co does not, offer employment to any of such Designated Employees. If any Party breaches the foregoing undertakings, liquidated damages of USD500,000 per person shall be imposed on the defaulting Party.

### 6.4.5 Hostile Act

If any JV Co Shareholder uses illegal or unusual means to cause man-made events so as to force the other JV Co Shareholders to compromise or accept its position, such JV Co Shareholder shall compensate the other JV Co Shareholders for all the losses suffered by them, and shall also pay a penalty equivalent to 100% of the capital already contributed by the other JV Co Shareholders.

### 6.4.6 Consequences of Default

Pursuant to the Agreement, if a Party fails to pay for its subscribed JV Co Shares (the amount that is not paid shall be referred to as the “**Overdue Amount**”), such defaulting Party shall, for each day outstanding, pay to the other non-defaulting Parties 0.03% of the Overdue Amount as liquidated damages. If the Overdue Amount remains unpaid for more than 60 days, any non-defaulting Parties shall have the right to make an offer for the JV Co Shares held by the defaulting Party or to request to wind up the Company (which shall not be objected to by the defaulting Party). In such event, all the expenses incurred during the incorporation of the JV Co shall be borne by the defaulting Party, which shall also pay an additional sum equivalent to 20% of the Overdue Amount as liquidated damages to the other non-defaulting Parties.

Further, each Party shall perform its obligations under the Agreement. If, by the acts of any Party, loss is incurred by the other Parties, the Party which caused the loss shall compensate for the losses incurred, in addition to the liquidated damages payable pursuant to the immediately preceding paragraph.

## 6.5 Rationale and source of funds for the Proposed JV

As Morowali had developed the Tsingshan Park with full auxiliary facilities for nickel mining and smelting and stainless steel manufacturing, the Parties would like to collaborate and jointly invest and construct a steel plant with an annual capacity of 3.5 million tonnes at Tsingshan Park. The Proposed JV will enable the Group to leverage on Shanghai Decent and Morowali’s extensive experience and expertise in the steel business in Indonesia, and also facilitate the Group’s expansion into the ASEAN markets.

Apart from the above, the Group is also seeking to enter into the Proposed JV because of the situation in the PRC. As announced by the Company on 18 January 2017, there are 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, which is in the northern region of the PRC, in 2017. Accordingly, the Company understands that steel mills which are located in the Hebei Province (and especially those located within the affected cities under the Capacity Reduction Plans) are required to cease their operations.

Shareholders should however note that as announced by the Company on 22 August 2017, due to a strike by Aoyu Steel’s employees on its premises, the Board, with the concurrence of the management of Aoyu Steel, had decided to discontinue Aoyu Steel’s operations entirely. Accordingly, Aoyu Steel’s operations have ceased completely.

As at the date of this Circular, all the steel mills in Langfang, Baoding and Zhangjiakou have ceased their operations

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As previously announced by the Company on 18 January 2017, 3 April 2017, 31 May 2017 and 27 July 2017, the Group had entered into an agreement with Tsing Tuo Group Co., Ltd. to transfer its pig iron production capacity of 1.08 million tonnes (generated from its 2 converter furnaces) for an aggregate gross consideration of RMB400 million (“the **Capacity Sale Proceeds**”). Following this, the Company announced on 31 August 2017 that Aoyu Steel had, on 30 August 2017, further entered into an agreement with the People’s Government of Laiyuan County (“**PGLC**”) in relation to the terms of compensation to be given to the Capacity Reduction Plans (the “**Compensation Agreement**”), under which the total compensation amount of RMB968 million (the “**Compensation Sum**”) would be paid by the PGLC to Aoyu Steel. The breakdown of the Compensation Sum is as follows:

- (a) RMB720 million shall be the compensation to Aoyu Steel;
- (b) RMB208 million shall be applied towards workers’ compensation; and
- (c) RMB40 million shall be used for payment of applicable exit fees.

As at the Latest Practicable Date, the Group has received the Capacity Sale Proceeds of RMB375 million (net of tax) and RMB208 million of the Compensation Sum (of which RMB143 million has already been utilised for workers’ compensation). The total workers’ compensation payable is RMB228 million, and therefore, the balance amount of RMB85 million comprising RMB65 million from the Compensation Sum and RMB20 million from the Capacity Sale Proceeds is expected to be paid by the first quarter of 2018. Accordingly, the Company expects the Group’s steel production capacity to be significantly reduced by one-third of its present capacity and with the funds derived from the abovementioned Capacity Sales Proceeds and Compensation Sum, the Proposed JV presents a good opportunity for the Group to expand its core business, and serves as a new engine of growth for the Group, so as to enhance long-term shareholders’ value. In particular, the Proposed JV will benefit the Group’s existing business by allowing the Group to increase its manufacturing and sales capacity notwithstanding the Capacity Reduction Plans, as well as improve its product structure to include bar, slab and wire.

The Proposed JV will enable the Group to offer a wider range of products, allow the Group to reach out to a broader spectrum of customers, and strengthen the existing customer base of the Group. In addition, the Group also seeks to enter into the Proposed JV to capitalise on the growing demand for steel amidst strong economic growth in Indonesia. The Parties are anticipating that demand for steel bar, wire and slab in the Indonesia market will be high, due to an excess of demand over supply. Please refer to Section 4 titled “*The Proposed Expansion*” of this Circular for further details on the Indonesian steel industry.

Specifically, as the Steel Project is supported by established infrastructure already put in place by Morowali, there will be some cost savings for the Group in entering into this Proposed JV as no initial investment outlay in respect of setting up supporting infrastructure is required.

Lastly, the PRC has amassed huge amounts of foreign reserves, thus putting upward pressure on the foreign exchange rate of the RMB. Indeed, there have been much demand from the international community for the PRC to float its currency. In order to deflate that demand, the PRC seeks to employ its foreign reserves by acquiring assets overseas. Furthermore, the PRC is opening up the domestic market in mainland China as a result of its open door policy, which is further accelerated by its commitments when entering the World Trade Organisation. As world class competitors are now competing for business in the Chinese market, the PRC government is actively encouraging domestic companies and their management to gain more international experience so that they can take the competition to the home markets of the foreign nations, and consequently, allow them to compete better in the PRC domestic market.

Accordingly, the Company is proposing to enter into the Proposed JV in response to the above “go out” or “going global” government policy that encourages enterprises to make offshore investments.

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### 6.5.1 Source of Funds

The Group's contribution to the Proposed JV of approximately USD427.5 million will be funded from internal resources or through long-term bank project loan facilities up to a maximum of 70% of the total investment amount. As at the date of this Circular, the amount of USD128.25 million has been set aside in a separate bank account, the operating instructions of which will designate that any withdrawal from such bank account shall be approved by joint signatories comprising an independent director of the Company. In the event that any corporate guarantees are required for third party financing, the JV Co Shareholders will provide corporate guarantees in proportion to their equity interests in the Proposed JV. As at the date of this Circular, the Agricultural Bank of China ("**ABC**") has also provided a letter of intent stating that ABC will provide a loan of up to USD665.0 million to Delong Steel in respect of the Proposed JV. Accordingly, there will be sufficient funds for the Company to complete the Proposed JV. As and when funds are disbursed for the Proposed JV, the Company will make an announcement to update Shareholders, and concurrently obtain the relevant verification from its auditors on the use of such funds.

### 6.6 Risk factors associated with the Proposed JV

To the best of the Board's knowledge and belief, all the risk factors that are material to Shareholders and prospective investors in making an informed judgment on the Proposed JV (in addition to the risks factors associated with the Proposed Expansion set out in Section 4.5 titled "*Risk Factors associated with the Proposed Expansion*" of this Circular) are set out below. Shareholders should carefully consider and evaluate each of the following risks (and the relevant risks factors associated with the Proposed Expansion set out in Section 4.5 titled "*Risk Factors associated with the Proposed Expansion*" of this Circular) and all other information contained in this Circular before deciding whether to vote in favour of the Proposed JV.

The risks described below are not exhaustive. There may be additional risks not presently known to the Company, or that the Company may currently deem immaterial, which could affect the Group's operations. If any such risks develop into an actual eventuality, the business, operations, financial performance and prospects of the Group may potentially be materially and adversely affected.

#### **The Group is exposed to risks associated with being in a joint venture with other parties which it does not control**

The Group is subject to the risk that changes in the status of the Proposed JV (including changes caused by financial failure or default by a participant in the joint venture) may adversely affect the operations and performance of the Group. Such risks include the loss of capital or other investments in the Proposed JV, deadlock on major business decisions including failure to reach agreement on profit/ cost sharing arrangements before or after the JV Co begins operating and failure of either party in delivering its obligations or commitments under the Proposed JV. As the Proposed JV is expected to contribute significantly to the growth and revenue of the Group, any cash flow constraints or financial failure of the Proposed JV may adversely affect the financial results and performance of the Company and the Group.

#### **The Group is reliant on the JV Co Shareholders in respect of the political, economic, or social conditions in the place of incorporation of the Proposed JV**

Following the incorporation of the JV Co, the success of the Proposed JV will depend on the political, economic and social conditions in the Republic of Indonesia. While the Group believes that its current expertise and knowledge in respect of conducting the Steel Business in the PRC environment may be transferable, it will nevertheless mainly be relying on Shanghai Decent and Morowali's familiarity with the local political, economic, or social environment in navigating the Proposed JV, at least in the initial stages. Should Shanghai Decent and/or Morowali be unable to perform their obligations under the joint venture, the performance of the JV Co (and hence the Group) may be materially and adversely affected.

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## LETTER TO SHAREHOLDERS

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### 6.7 Waiver from compliance with certain requirements in the Listing Manual

The Company had, on 27 June 2017, written to the SGX-ST to seek, amongst others, waiver from compliance with the following requirements under the Listing Manual in respect of the Proposed JV:

- (a) Rule 1015(1)(a)(ii);
- (b) Rule 1015(2) (the requirement for the Proposed JV to be profitable and to comply with Rule 210(4)(a));
- (c) Rule 1015(3)(c);
- (d) Rule 1015(4);
- (e) Rule 1015(5)(a) in relation to the information required under Rules 1010(5), 1010(7), 1012, 1013 and Part II of Chapter 6 of the Listing Manual; and
- (f) Rule 1015(5)(b),

(the “**Waiver Application**”).

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.

Accordingly, the Company had, on 7 August 2017, announced the waiver granted in respect of the Waiver Application, the reasons for seeking the waiver and the conditions as required under Rule 107 of the Listing Manual. A copy of the Company’s announcement dated 7 August 2017 is available at [www.sgx.com](http://www.sgx.com).

Further to the above, the SGX-ST had, in its letter dated 27 November 2017, informed the Company that it has approved-in-principle the Proposed JV, subject to the following conditions:

- (a) Compliance with the SGX-ST’s listing requirements;
- (b) Shareholders’ approval being obtained at the forthcoming EGM for the Proposed JV;

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## LETTER TO SHAREHOLDERS

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- (c) The Company announcing the waiver granted for Listing Rule 1015(2) (the requirement for the Proposed JV to be profitable and to comply with Listing Rule 210(4)(a)), the reasons for seeking the waiver and the conditions as required under Listing Rule 107;
- (d) Submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company;
- (e) The Proposed JV will not result in a change of control of the Company;
- (f) Submission of an undertaking from the Company to announce the outcome of the review by the Company's auditors, Deloitte & Touche LLP, on the verification of the Group's cash and cash equivalents and payment of employee compensation;
- (g) Submission of an undertaking from the Company that it will announce the disbursement of funds for the Proposed JV and verification by its auditors, Deloitte & Touche LLP, as and when funds are disbursed for the Proposed JV; and
- (h) Submission of an undertaking from Mr. Ding Liguang and his associates to observe a moratorium on their shares in the Company commencing from the date of the undertaking until a date falling 6 months from the date of completion of the subscription of shares in the Proposed JV in accordance with Rules 227, 228 and 229 of the Listing Manual.

The Company had, on 29 November 2017, announced the receipt of the SGX-ST's approval-in-principle for the Proposed JV. A copy of the Company's announcement dated 29 November 2017 is available at [www.sgx.com](http://www.sgx.com).

### 6.8 Relative figures for the Proposed JV under Chapter 10 of the Listing Manual

The relative figures for the Proposed JV computed on the base set out in Rule 1006(c)<sup>(1)</sup> of the SGX-ST Listing Manual are as follows:

|              |                                                                                                                         |        |
|--------------|-------------------------------------------------------------------------------------------------------------------------|--------|
| Rule 1006(c) | The aggregate initial consideration for the Proposed JV, compared with the Group's market capitalisation <sup>(2)</sup> | 185.5% |
|--------------|-------------------------------------------------------------------------------------------------------------------------|--------|

#### Notes:

- (1) Rules 1006(a) and (e) of the Listing Manual are not applicable as they only apply to a disposal of assets. Rule 1006(b) of the Listing Manual is not applicable as the JV Co has not been incorporated and the Steel Project has not commenced and Rule 1006(d) of the Listing Manual is not applicable as the Company will not be issuing equity securities as consideration for the Proposed JV.
- (2) The market capitalisation of the Company of approximately S\$310,715,000 is determined by multiplying the 110,182,709 shares in issue by the volume-weighted average price of the shares of S\$2.82 on 24 November 2017 (being the immediate market day preceding the date of signing of the Agreement). The calculation is based on the exchange rate of S\$1.00:USD1.348 as at 24 November 2017.

Based on the relative figure derived under Rule 1006(c) above, the Proposed JV is regarded as a "very substantial acquisition" as defined in Rule 1015 of the Listing Rules and is subject to the approval of the Shareholders and the Exchange.

### 6.9 Financial effects of the Proposed JV

For illustrative purposes only and based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 ("FY2016"), the financial effects of the Proposed JV on (i) the net tangible assets ("NTA"); and (ii) the earnings per share ("EPS") of the Group are as follows, assuming that completion of the Proposed JV took place, in respect of profit and loss statements, on 1 January 2016, and in respect of balance sheets, on 31 December 2016:

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## LETTER TO SHAREHOLDERS

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The following key assumptions were made in relation to the Proposed JV:

- (a) the Group's contributions to the Proposed JV are satisfied by the Company's internal resources (i.e. 30%) and bank borrowings (i.e. 70%); and
- (b) the interest expense arising from bank borrowings is assumed to be based on an interest rate of 5% per annum.<sup>(1)</sup>

**Note:**

- (1) The base interest rate for PRC banks is approximately 4.35% to 4.75%.

### 6.9.1 NTA

|                         | Before the Proposed JV | After the Proposed JV |
|-------------------------|------------------------|-----------------------|
| NTA (RMB'000)           | 2,542,931              | 2,542,931             |
| Number of Shares ('000) | 110,183                | 110,183               |
| NTA per Share (RMB)     | 23.08                  | 23.08                 |

### 6.9.2 EPS

|                                                     | Before the Proposed JV | After the Proposed JV |
|-----------------------------------------------------|------------------------|-----------------------|
| Net profit attributable to equity holders (RMB'000) | 213,030                | 112,781               |
| Weighted average number of shares ('000)            | 110,183                | 110,183               |
| EPS (RMB)                                           | 1.93                   | 1.02                  |

### 6.10 **Directors' service contracts**

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed JV. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

### 6.11 **Moratorium Undertakings**

The Proposed JV, being within the ambit of Rule 1015 of the Listing Manual, is subject to the moratorium requirements specified in Rules 227, 228 and 229 of the Listing Manual. Rule 1015(3) (c) provides that the moratorium requirements specified in Rules 227, 228 and 229 are applicable to the following persons:

- (a) the existing Controlling Shareholders and their associates; and
- (b) persons who will become a Controlling Shareholder and their associates.

Such persons are required to provide an undertaking to maintain the relevant person's effective interest in the securities under the moratorium during the moratorium period of six months.

As set out in Section 7 titled "*Interests of Directors and Substantial Shareholders*" of this Circular, Best Decade Holdings Limited, Golden Top Group Limited, Honest Joy International Ltd, Mr. Ding Ligu, Madam Zhao Jing, Evraz S.A Group, EVRAZ plc and Lanebrook Limited are the Controlling Shareholders of the Company.

Accordingly, in compliance with the moratorium requirements specified in Rule 229 of the Listing Manual, the parties named herein below have executed a Deed of Moratorium Undertaking in favour of the Company:

## LETTER TO SHAREHOLDERS

- (i) Best Decade Holdings Limited has irrevocably and unconditionally agreed and undertaken that, for the period commencing from the date of the undertaking and until a date falling six (6) months from the date of completion of the subscription of shares in the Proposed JV (“**Moratorium Period**”), it will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, grant any option, right or warrant to purchase, lend, enter into any contract that will directly or indirectly constitute or will be deemed as a disposal of, hypothecate or encumber or otherwise transfer or dispose of, directly or indirectly, any part of its interests in the issued share capital of the Company (“**Moratorium Shares**”);
- (ii) Golden Top Group Limited, being the holder of 100% of the entire equity interests of Best Decade Holdings Limited, has irrevocably and unconditionally agreed and undertaken that, for the Moratorium Period, it will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, grant any option, right or warrant to purchase, lend, enter into any contract that will directly or indirectly constitute or will be deemed as a disposal of, hypothecate or encumber or otherwise transfer or dispose of, directly or indirectly, any part of its interests in the issued share capital of Best Decade Holdings Limited;
- (iii) Honest Joy International Ltd, being the holder of 100% of the entire equity interests of Golden Top Group Limited, has irrevocably and unconditionally agreed and undertaken that, for the Moratorium Period, it will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, grant any option, right or warrant to purchase, lend, enter into any contract that will directly or indirectly constitute or will be deemed as a disposal of, hypothecate or encumber or otherwise transfer or dispose of, directly or indirectly, any part of its interests in the issued share capital of Golden Top Group Limited;
- (iv) Mr. Ding Ligu, the Executive Chairman of the Company, and Madam Zhao Jing, being the holders of 70% and 30% respectively of the equity interests of Honest Joy International Ltd, have each irrevocably and unconditionally agreed and undertaken that, for the Moratorium Period, he or she (as the case may be) will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, grant any option, right or warrant to purchase, lend, enter into any contract that will directly or indirectly constitute or will be deemed as a disposal of, hypothecate or encumber or otherwise transfer or dispose of, directly or indirectly, any part of his or her (as the case may be) interests in the issued share capital of Honest Joy International Ltd;

While Evraz S.A Group, EVRAZ plc and Lanebrook Limited (the “**Evraz Group**”) collectively hold directly or indirectly 15% or more of the total number of issued shares in the Company, the ultimate beneficial owners of the Evraz Group are Roman Abramovich, Alexanger Abramov, Alexander Frolov, Gennady Kozovoy, Alexander Vagin and Eugene Shvidler, whom the Company understands to be purely financial investors with no capacity to dominate decision-making in relation to the financial and operating policies of the Company. As such, Rule 229 of the Listing Manual does not apply to the Evraz Group and neither the Evraz Group nor its ultimate owners are required to provide the Moratorium Undertakings.

### 7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interest of the Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors’ Shareholdings and the Register of Substantial Shareholdings of the Company are set out below:

|                          | Direct Interest  |                  | Deemed Interest           |                  | Total Interest   |                  |
|--------------------------|------------------|------------------|---------------------------|------------------|------------------|------------------|
|                          | Number of Shares | % <sup>(1)</sup> | Number of Shares          | % <sup>(1)</sup> | Number of Shares | % <sup>(1)</sup> |
| <b>Name of Director:</b> |                  |                  |                           |                  |                  |                  |
| Ding Ligu                | –                | –                | 64,163,500 <sup>(4)</sup> | 58.23            | 64,163,500       | 58.23            |

## LETTER TO SHAREHOLDERS

|                                                                | Direct Interest           |                  | Deemed Interest           |                  | Total Interest   |                  |
|----------------------------------------------------------------|---------------------------|------------------|---------------------------|------------------|------------------|------------------|
|                                                                | Number of Shares          | % <sup>(1)</sup> | Number of Shares          | % <sup>(1)</sup> | Number of Shares | % <sup>(1)</sup> |
| <b>Name of Substantial Shareholders (other than Director):</b> |                           |                  |                           |                  |                  |                  |
| Best Decade Holdings Limited                                   | 64,163,500                | 58.23            | –                         | –                | 64,163,500       | 58.23            |
| Golden Top Group Limited                                       | –                         | –                | 64,163,500 <sup>(2)</sup> | 58.23            | 64,163,500       | 58.23            |
| Honest Joy International Ltd                                   | –                         | –                | 64,163,500 <sup>(3)</sup> | 58.23            | 64,163,500       | 58.23            |
| Zhao Jing                                                      | –                         | –                | 64,163,500 <sup>(4)</sup> | 58.23            | 64,163,500       | 58.23            |
| Evrax S.A Group                                                | 16,570,799 <sup>(7)</sup> | 15.04            | –                         | –                | 16,570,799       | 15.04            |
| EVRAZ plc                                                      | –                         | –                | 16,570,799 <sup>(5)</sup> | 15.04            | 16,570,799       | 15.04            |
| Lanebrook Limited                                              | –                         | –                | 16,570,799 <sup>(6)</sup> | 15.04            | 16,570,799       | 15.04            |

**Notes:**

- (1) The percentage of Shares held is calculated based on 110,182,709 issued Shares as at the Latest Practicable Date.
- (2) Golden Top owns 100% of the share capital in Best Decade and is therefore deemed to be interested in the Shares held by Best Decade.
- (3) Honest Joy owns 100% of the share capital in Golden Top and is therefore deemed to be interested in the Shares held by Best Decade.
- (4) Mr Ding Liguang and Madam Zhao Jing hold 70% and 30% respectively of the share capital in Honest Joy. They are therefore deemed interested in the Shares held by Best Decade.
- (5) EVRAZ plc owns 100% of the share capital in Evrax S.A. Group and is therefore deemed to be interested in the Shares held by Evrax S.A Group.
- (6) Lanebrook Limited is the major shareholder of EVRAZ plc and is therefore deemed interested in the Shares held by Evrax S.A Group.
- (7) Shares are held through nominee account.

Save as disclosed in this Section 7 of this Circular, none of the Directors or Substantial Shareholders has an interest, direct or indirect, in the Proposed Diversification, the Proposed Expansion and the Proposed JV.

### 8. DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the rationale and terms of the Proposed Diversification, the Proposed Expansion and the Proposed JV, the Feasibility Report, and the terms of the Agreement, the Directors are of the opinion that the Proposed Diversification, the Proposed Expansion and the Proposed JV are in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolutions relating to the Proposed Diversification, the Proposed Expansion and Proposed JV to be proposed at the EGM.

Shareholders are advised to read this Circular in its entirety, in particular the rationale for and/or the risk factors relating to the Proposed Diversification, the Proposed Expansion and/or the Proposed JV (as the case may be) and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

### 9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular, will be held at 55 Market Street, #03-01, Singapore 048941, on 18 December 2017 at 9.30 a.m., for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolutions set out in the notice of EGM.

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## LETTER TO SHAREHOLDERS

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### 10. ACTIONS TO BE TAKEN BY SHAREHOLDERS

#### 10.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and who wish to appoint a proxy or proxies to attend and vote on their behalf will find attached to this Circular, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company's registered office at 55 Market Street, Level 10, Singapore 048941 not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently wishes to do so in place of his proxy.

#### 10.2 Depositors

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for the EGM, as certified by CDP to the Company.

### 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Proposed Expansion, the Proposed JV, the Company, and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

### 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941, during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Agreement;
- (b) the annual report of the Company for FY2016; and
- (c) the Feasibility Report.

Yours faithfully

For and on behalf of the Board of Directors of  
**DELONG HOLDINGS LIMITED**

Ding Liguao  
Executive Chairman

**PT. Dexin Steel Indonesia  
Project with Annual Output of 3.5 Million Tons of Steel  
Feasibility Study Report**



**Project with Annual Output of 3.5  
Million Tons of Steel  
By  
PT. Dexin Steel Indonesia  
Feasibility Study Report**

**File number: TSS001703-AAC.1**



**中冶南方工程技术有限公司  
WISDRI Engineering & Research Incorporation Limited**

**July 2017**

**PT. Dexin Steel Indonesia  
Project with Annual Output of 3.5 Million Tons of Steel  
Feasibility Study Report**



**Project with Annual Output of 3.5  
Million Tons of Steel  
By  
PT. Dexin Steel Indonesia  
  
Feasibility Study Report**

|                             |                     |
|-----------------------------|---------------------|
| <b>Responsible manager:</b> | <b>Weng Limin</b>   |
| <b>Technical director:</b>  | <b>ShaoYuanjing</b> |
| <b>General designer:</b>    | <b>Wang Fabin</b>   |

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## APPENDIX I – FEASIBILITY STUDY REPORT DATED JULY 2017 ISSUED BY THE EXTERNAL CONSULTANT

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PT. Dexin Steel Indonesia  
Project with Annual Output of 3.5 Million Tons of Steel  
Feasibility Study Report



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PT. Dexin Steel Indonesia  
Project with Annual Output of 3.5 Million Tons of Steel  
Feasibility Study Report



## **1 Project Overview**

### **1.1 Project name and construction site**

Project name: Project with Annual Output of 3.5 Million Tons of Steel by PT. Dexin Steel Indonesia.

Project owner: PT. Dexin Steel Indonesia.

Construction site: Indonesia Morowali Industrial Park, Morowali, Central Sulawesi, Indonesia

### **1.2 Overview of project owner and investors**

The owner of this project is **PT. Dexin Steel Indonesia**, of which the ownership structure is: Delong Singapore Project Co., Ltd. occupies 45%, Shanghai Decent Investment (Group) Co., Ltd. occupies 43%, and PT. Indonesia Morowali Industrial Park occupies 12%.

**Delong Singapore Project Co., Ltd.** is an affiliate of Delong Holdings Co., Ltd. Delong Holdings Co., Ltd. was established in 1992, and has grown into a mega transnational steel group integrating steel production, capital management and financial lease up to now, is the first Chinese private steel enterprise which goes public in the overseas stock market, and have satisfied the national steel industrial requirements in terms of safety, environmental protection and energy conservation. Its affiliates include Delong Steel Limited, Aoyu Steel Co., Ltd. and Delong Machinery & Mill Roll Co., Ltd.. It is capable of producing 5 million tons of crude steel, 5 million tons of rolled metal and 30,000 tons of high-end mill rolls annually.

**Shanghai Decent Investment (Group) Co., Ltd.** (hereinafter referred to as “Decent Group”) is one of group companies affiliated to China Tsingshan Steel. Tsingshan Steel has specialized in the ferronickel and stainless steel industry for more than 20 years, and has formed an entire industrial chain layout from nickel ore mining, ferronickel smelting to stainless steel and plain carbon steel smelting, stainless steel and plain carbon steel continuous casting slab production, stainless steel and plain carbon steel plate, bar and wire rod processing. Tsingshan Steel affiliate Tsingshan Holdings Group, Tsingtuo Group, J-Eray Group, Ruipu Technology Group and Shanghai Decent Group, and has 5 large steel production bases in Ningde of Fujian, Yangjiang of Guangdong, Lishui of Zhejiang, Qingyuan of Guangdong and Fengxian of Shanghai in China. Tsingshan Holdings Group ranks the 164th place in China’s top

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500 enterprises and the 69th place in China's top 500 manufacturing enterprises, and has more than 31,000 employees, and its comprehensive strength is continuously improved in the Chinese steel industry.

**PT. Indonesia Morowali Industrial Park** is the owner and developer of Indonesia Morowali Industrial Park, of which the ownership structure is: Shanghai Decent Investment (Group) Co., Ltd. occupies 49.69%, PT. Bintangdelapan Investama occupies 25.31%, and PT. Sulawesi Mining Investment occupies 25%.

To actively answer Indonesian government's policy call to promote its smelting industrial development, Shanghai Decent Investment (Group) Co., Ltd. and PT. Bintangdelapan Investama invested and built the PT. Indonesia Morowali Industrial Park in Indonesia in October 2013 and invested and built the Indonesia Morowali Industrial Park ("Indonesia Morowali Industrial Park") in Morowali, Central Sulawesi, Indonesia.

In December 2015, the Indonesian Ministry of Industry presented the Indonesia's sole private enterprise "industrial park rising star award" to Indonesia Morowali Industrial Park, and the Central Sulawesi provincial governor and Morowali county magistrate obtained the best contribution award for promoting the industrial park development at the same time. In August 2016, Indonesia Morowali Industrial Park passed the overseas economic and trade cooperation zone assessment confirmed by Chinese Ministry of Commerce and Ministry of Finance. Up to the end of April 2017, there have already been many ferronickel and stainless steel smelting projects entering Indonesia Morowali Industrial Park, the total investment approximates to USD 4 billion, and the realized investment exceeds USD 2.45 billion.

Indonesia Morowali Industrial Park plans to form a largest, longest, most complete, best quality stainless steel and plain carbon steel industrial chain in the world with annual output and processing of 3 million tons of stainless steel in 2019.

PT. Bintangdelapan Investama (hereinafter referred to as "BDI") is a famous mining firm in Indonesia, and its parent company Bintangdelapan Group has the mining right (IUP) of about 47,000 hectares of nickel ore mining area in Morowali, Central Sulawesi, Indonesia, and has a series of mining exploration related licenses and permits issued by Indonesian Ministry of Forestry for land for production. According to the survey report issued by the survey company with JORC-recognized

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international qualification, the aforesaid mining area has a reserved and estimated quantity of resources converted into 150 million tons of 1.8% or higher grade nickel minerals. When implementing mining right, BDI also needs to speed up the infrastructure construction, such as ports and mine roads, and gradually perfect survey, exploitation, test and transport processes. BDI mine went into operation in Quarter 2 2010, the production and sales volume of laterite nickel ore reached near 4.5 million tons in 2016, taking the lead position in nickel ore industry.

## **2 Compilation Scope and Contents of Feasibility Study**

### **2.1 Compilation scope of feasibility study**

The project with annual output of 3.5 million tons of steel by PT. Dexin Steel Indonesia includes main production technologies and matched energy public and auxiliary facilities, general layout and transportation, and associated facilities.

### **2.2 Compilation contents of feasibility study**

- 2.2.1 The newly-built stock yard matching to 3.5 million tons of steel;
- 2.2.2 The newly-built 2x230m<sup>2</sup> sintering machines;
- 2.2.3 The newly-built 3x600TPD lime kilns;
- 2.2.4 The newly-built 2x65 hole compound stamp-charging coke ovens;
- 2.2.5 The newly-built 2x1,780m<sup>3</sup> blast furnaces;
- 2.2.6 The newly-built 2x120t converters (1x120tLF);
- 2.2.7 One newly-built 8-strand billet caster, and one 2-strand slab caster (with slab for external sales);
- 2.2.8 One newly-built 1 million t/a bar production line and one newly-built 500,000 t/a wire rod production line (casting blank and direct rolling technique);
- 2.2.9 Factory's associated public and auxiliary facilities (including 2x250,000Nm<sup>3</sup>/h oxygenerators).

## **3 Necessity of Project Construction**

- 1) To perfect industrial chain and improve market competitiveness

Indonesia Tsingshan who is one of project owners, after scientific appraisal and comprehensive economic analysis, decides to answer Indonesian government's call and produce ferronickel and stainless steel in Indonesia Morowali Industrial Park, Morowali, Central Sulawesi, Indonesia. Now, Indonesia Tsingshan has the production capacity of 1.2 million tons of ferronickel, 600,000 tons of high carbon

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ferrochrome and 2 million tons of stainless steel and can realize 700,000 tons of stainless steel cold rolling. But among existing capacity and products, plain carbon steel products urgently needed by the Indonesian market are scarce. To improve the market competitiveness and perfect industrial chain, it is imperative to develop plain carbon steel products. So PT. Dexin Steel Indonesia proposes to increase the production capacity of 3.5 million tons of plain carbon steel, so as to develop and produce plain carbon steel products urgently needed by the market, extend the industrial chain and improve the company's economic benefit and market competitiveness.

2) To answer Indonesian government's call, take advantage of national resources, and greatly boost the metal and raw ore smelting and processing

A law enacted by Indonesian government in January 2009 and formally implemented in January 2014 prohibits the raw ore in Indonesia from being exported, and meanwhile facilitates foreign countries to invest and build the metal and raw ore smelting and processing factory in Indonesia through effective policies. The implementation of the project with annual output of 3.5 million tons of plain carbon steel by PT. Dexin Steel Indonesia completely complies with Indonesian government's laws and policies to welcome foreign countries to invest and build the metal and raw ore smelting and processing factory in Indonesia.

3) To answer Chinese government's initiative of "one belt, one road"

To satisfy the development needs of Indonesia who is located along the "one belt, one road" initiated by Chinese government, PT. Dexin Steel Indonesia decides to construct a smelting production line project with a long process ranging from stock yard, sintering, blast furnace, steelmaking, continuous cast slab to hot rolling in Indonesia Morowali Industrial Park, take full advantage of current conditions, increase 3.5 million tons of plain carbon steel products under the precondition of complying with Indonesian government's laws and regulations, realize the steel product structure optimization and technology upgrading, strengthen market competitiveness and further improve the economic benefit. Moreover, this project introduces a construction model of independent integration and innovative integration adopted by PT. Dexin Steel Indonesia, and the 3.5-million-ton smelting production line project with a long process ranging from stock yard, sintering, blast

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furnace, steelmaking, continuous cast slab to hot rolling jointly invested and build with Indonesia Morowali Industrial Park is propitious for PT. Dexin Steel Indonesia to better transform its economic development mode, use and master the advanced smelting technologies, improve the development quality and efficiency, and realize PT. Dexin Steel Indonesia's sustainable development target.

## **4 Compilation Guiding Ideologies and Principles**

### **4.1 Guiding ideologies**

Adopt advanced, economical, practical, safe and environmentally friendly process equipment and management, construct PT. Dexin Steel Indonesia's project with annual output of 3.5 million tons of steel into a steel manufacturer featured with advanced technology, resource conservation, clean environment, low cost and efficient production.

### **4.2 Basic principles**

- 1) Give priority to economic benefit
- 2) Resource saving and environment cleaning
- 3) Adhere to the reasonable optimisation principle of general layout

## **5 Factory Location**

The construction site of the project is located in Indonesia Morowali Industrial Park, Bahodopi Town, Morowali County, Central Sulawesi, Indonesia. At present, the projects of ferronickel, ferrochrome, stainless steel smelting, hot rolling, cold rolling and supporting coal-fired power plant have entered the industrial park and formed a complete industrial chain. There are nickel ore mining areas near the company; provincial road and supporting 50,000 ton-level dock to the north of the company. The planned construction site for the factory is hilly basin. It is embraced on three sides by mountains, and the north is near the sea. The planned land occupation is 1,031,000m<sup>2</sup>. The natural terrain elevation is about 5m-15m. The project site is at 122 degrees of east longitude, and between 2 and 3 degrees of south latitude with higher terrain in the south than in the north.

There is a naturally formed gully from south to north on each of two sides of the factory. The length of the gully on the west side is about 9km. It bears rainwater drainage about 14km<sup>2</sup> catchment area, and has a large water-carrying

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section. The water-carrying section at the highest stage hydrograph is close to 60m<sup>2</sup>. There is water in the gullies throughout the year, and has formed rivers. The gully on the east side is relatively short, being about 1.5km. It bears rainwater drainage about 2km<sup>2</sup> catchment area. Due to the small catchment area, it stays in a dry status except in the rainy season.

Through field investigation, the water volume of the gully on the west side is large. It could fully meet the fresh water supply of some projects. Thus, it could be taken as a fresh water source. The gully on the east side has been leveled off during land leveling.

This project utilizes the land in the Indonesia Morowali Industrial Park. This land has been developed with good engineering geological property, a wide working area and large space of land development. It is able to meet the land requirement being about 1,031,000m<sup>2</sup> for the general layout of this project.

Please refer to the following map for the proposed project land:



Project Topographic Map

### 6. Factory Construction Conditions

- 1) Supply condition of main and auxiliary original fuel: for ore, imported fine

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ore from Australia is adopted; for coal resource, coal mine around the steel factory is adopted;

2) Land: the open space on the east side and the south side of the established stainless steel project and ferrochrome smelting project in the Indonesia Morowali Industrial Park is utilized for the project land. This land has been developed. Please refer to the finished geological survey report. It has good engineering geological property, wide working area and large space of land development. It is able to meet the land requirement 1,031,000m<sup>2</sup> of this project;

3) Dock: there are mine roads, provincial roads, and a supporting 50,000 ton-level dock to the north of the company. Most of the required original fuel and other materials for this project could be transported into the factory through the dock;

4) Highway: there is a logistic channel on the west side of the factory. It adopts the pavement structure of heavy load crushed stones with 18m road width. The logistic channel is connected to the external mine road and serves as the factory's transportation channel of ore and coal. Moreover, a channel is planned to be dug in the northeast direction of the factory for pedestrian and light vehicle. At present, the roads in the factory are of an urban asphalt concrete pavement with 12m width for main roads and 8m width for secondary roads;

5) Power supply: the existing factory has 2×65MW, 2×150MW, 2×350MW generator sets. The required six lines of 35kV power source for this project are provided by the automatic electrical system of the whole factory. It is able to ensure the stability and reliability of power supply. It has good power supply conditions;

6) Water supply: the industrial supplementary water and water for life of this project come from a small river which is on the west side of the factory and a big river which is about 5km away from the factory. Public water supply pipelines are used for unified water supply.

7) Dependent conditions: the Indonesia Morowali Industrial Park which is located in Morowali County, Central Sulawesi, the Republic of Indonesia has basically complete service facilities. Facilities for education, sanitation, culture, communication, commerce, transportation, maintenance and the like are basically

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complete. It is convenient for living, and provides good dependent conditions for the factory.

### 8) Climate and hydrologic conditions

The proposed project is located at the sea area on the east side of Sulawesi, Indonesia. This region belongs to tropical monsoon climate with abundant rainfall. The northwest wind prevails in the winter, while southeast wind prevails in the summer.

#### (1) Temperature

This region belongs to tropical climate. The average temperature has been 26.7°C for many years. The highest monthly average temperature is 27.5°C in November; while the lowest monthly average temperature is 25.6°C in August. The annual average temperature difference is 1.9°C. Please refer to the following chart for the average temperature of each month:

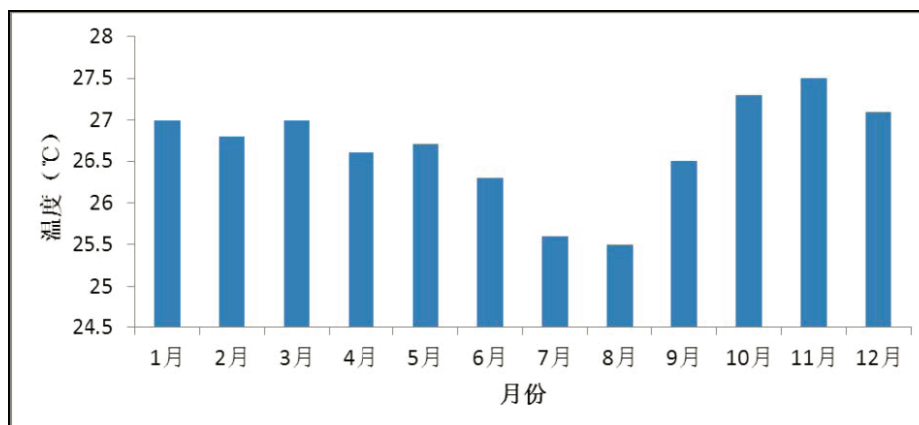


Chart of monthly average temperature

|     |                 |
|-----|-----------------|
| 温度  | Temperature(°C) |
| 月份  | Month           |
| 1 月 | January         |
| 2 月 | February        |
| 3 月 | March           |
| 4 月 | April           |
| 5 月 | May             |
| 6 月 | June            |

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|      |           |
|------|-----------|
| 7 月  | July      |
| 8 月  | August    |
| 9 月  | September |
| 10 月 | October   |
| 11 月 | November  |
| 12 月 | December  |

### (2) Rainfall

This region belongs to tropical rainy climate. According to table 1-1, the statistics of annual rainfall in 2002~2006 shows that the annual average rainfall of this region was 2,433mm. The maximum average rainfall was 349mm in July; and the minimum was 39.8mm in September. The annual average rainy days were 112 days.

Statistics of 2002~2006 monthly rainfall and rainy days

| 月份 | 2002  |     | 2003  |     | 2004  |     | 2005  |     | 2006  |     | 年平均      |      |
|----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|----------|------|
|    | 降雨量   | 天数  | 降雨量   | 天数  | 降雨量   | 天数  | 降雨量   | 天数  | 降雨量   | 天数  | 降雨量      | 天数   |
| 1  | 340   | 10  | 372   | 16  | 266   | 16  | 72    | 5   | 74    | 5   | 224.8    | 10.4 |
| 2  | 237   | 12  | 74    | 3   | 167   | 9   | 219   | 9   | 211   | 9   | 181.6    | 8.4  |
| 3  | 285   | 15  | 12    | 9   | 266   | 12  | 323   | 10  | 353   | 10  | 247.8    | 11.2 |
| 4  | 290   | 13  | 224   | 13  | 282   | 13  | 159   | 15  | 253   | 15  | 241.6    | 13.8 |
| 5  | 417   | 12  | 37    | 14  | 371   | 14  | 114   | 13  | 265   | 13  | 240.8    | 13.2 |
| 6  | 388   | 15  | 663   | 22  | 197   | 11  | 216   | 6   | 117   | 6   | 316.2    | 12   |
| 7  | 332   | 12  | 285   | 7   | 223   | 8   | 384   | 20  | 523   | 20  | 349.4    | 13.4 |
| 8  | 208   | 10  | 26    | 6   | 346   | 11  | 3     | 3   | 19    | 3   | 120.4    | 6.6  |
| 9  | 61    | 5   | 34    | 2   | 24    | 2   | 29    | 3   | 51    | 3   | 39.8     | 3    |
| 10 | 158   | 5   | 0     | 0   | 35    | 3   | 27    | 0   | 0     | 0   | 44       | 1.6  |
| 11 | 179   | 10  | 160   | 6   | 205   | 4   | 138   | 7   | 139   | 7   | 164.2    | 11.6 |
| 12 | 305   | 14  | 390   | 11  | 249   | 11  | 119   | 11  | 251   | 11  | 262.8    | 6.8  |
| 合计 | 3,200 | 133 | 2,277 | 109 | 2,631 | 114 | 1,803 | 102 | 2,256 | 102 | 2,433.40 | 112  |

来源：BPS Bungku Tengah 2002-2006 年

|     |            |
|-----|------------|
| 月份  | Month      |
| 降雨量 | Rainfall   |
| 天数  | Rainy days |

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|                                 |                                     |
|---------------------------------|-------------------------------------|
| 合计                              | Total                               |
| 年平均                             | Annual average                      |
| 来源: BPS Bungku Tengah 2002-2006 | Source: BPS Bungku Tengah 2002-2006 |

### (3) Wind condition

This project is near the equator. In general, the wind speed is not big. According to the statistics, it shows 1.26m/s average wind speed, 2.75m/s maximum wind speed and 0.32m/s minimum wind speed in Bahodopi. For outside central area of Banda Sea, the data is as below: 2.99m/s average wind speed, 6.87m/s maximum wind speed and 0.10m/s minimum wind speed. The average wind speed of the engineering region field is 1.03m/s. The maximum wind speed occurred in November, being 1.34m/s; while the minimum wind speed occurred at the end of May, being 0.77m/s. Please refer to chart 1-3 for the monthly average wind speed.



Chart of monthly wind speed in project region

| 风速 (Kont) | Wind speed (Kont) |
|-----------|-------------------|
| 1 月       | January           |
| 2 月       | February          |
| 3 月       | March             |
| 4 月       | April             |
| 5 月       | May               |

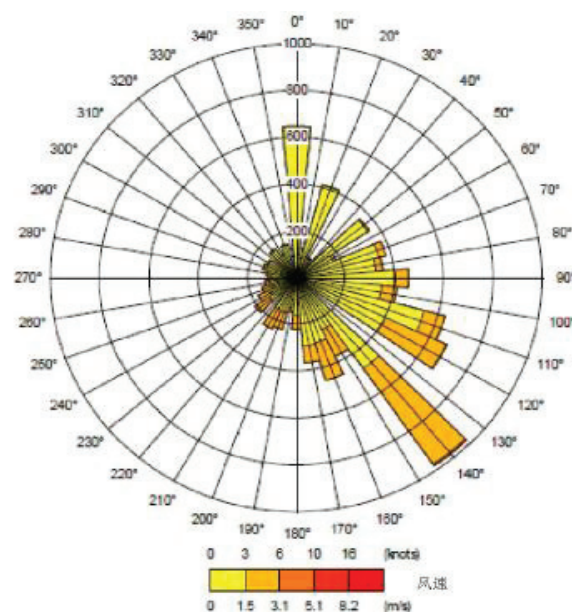
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|      |           |
|------|-----------|
| 6 月  | June      |
| 7 月  | July      |
| 8 月  | August    |
| 9 月  | September |
| 10 月 | October   |
| 11 月 | November  |
| 12 月 | December  |

By utilizing the wind measurement data for one year from August 2009 to July 2010 of the Bahodopi weather station, a wind-rose diagram for reflecting wind speed and wind direction frequency in the engineering region is built. Please refer to the following diagram for detailed distribution.



Wind-rose diagram of engineering region

|    |            |
|----|------------|
| 风速 | Wind speed |
|----|------------|

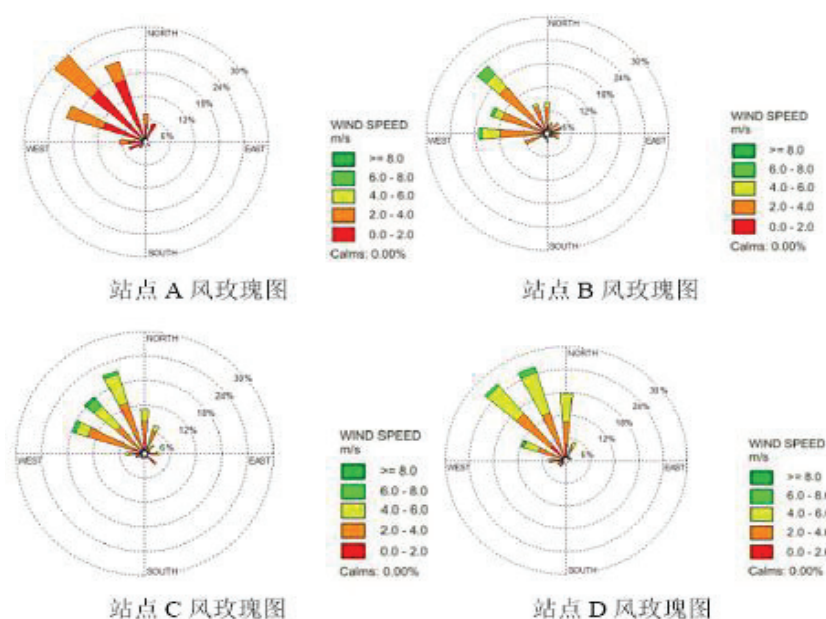
According to the actually measured wind condition data of the engineering region from April 19, 2009 to May 23, 2009 by PT. GEOMARINDEX, the

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maximum wind speed which was observed at four temporary measuring stations was 7.82m/s. The direction of prevailing wind during the observation period was the NW direction (the coordinates of the measuring stations are A 0.95°S, 121.875°E; B 2.857°S, 121.875°E; C 2.857°S, 123.75°E; D 0.95°S, 123.75°E). Please refer to the following wind-rose diagrams of the four temporary measuring stations:



Wind-rose diagrams of temporary measuring stations

|           |                                                    |
|-----------|----------------------------------------------------|
| 站点 A 风玫瑰图 | Wind-rose diagram of temporary measuring station A |
| 站点 B 风玫瑰图 | Wind-rose diagram of temporary measuring station B |
| 站点 C 风玫瑰图 | Wind-rose diagram of temporary measuring station C |
| 站点 D 风玫瑰图 | Wind-rose diagram of temporary measuring station D |

#### (4) Relative humidity

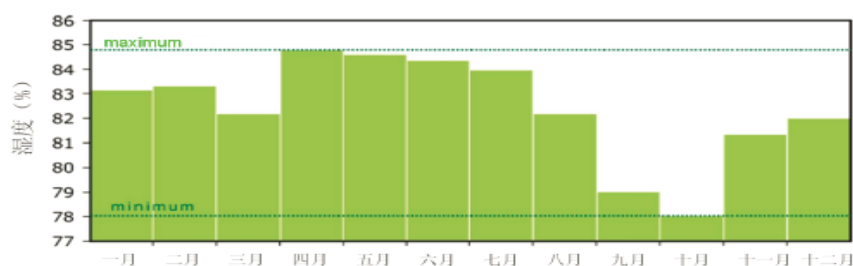
The annual average humidity of this region is 82.7%. The maximum average humidity occurred in April, being about 85%; the minimum average humidity occurred in October, being about 78%. Please refer to the following chart for

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monthly average humidity:



Average humidity chart of engineering region

| 湿度 (%) | Humidity (%) |
|--------|--------------|
| 1 月    | January      |
| 2 月    | February     |
| 3 月    | March        |
| 4 月    | April        |
| 5 月    | May          |
| 6 月    | June         |
| 7 月    | July         |
| 8 月    | August       |
| 9 月    | Semptember   |
| 10 月   | October      |
| 11 月   | November     |
| 12 月   | December     |

### (5) Tide

The tide of this sea area is irregular half-day mixed tide, with a tidal pattern number  $F=1.373$ .

- ① The tidal characteristic values (sea chart base) of the engineering sea area are as below:

The highest tidal level 2.9 m

The lowest tidal level 0.0 m

Average high tidal level 2.2 m

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Average low tidal level 0.6 m

Mean sea level 1.4 m

Maximum tidal range 2.8 m

Average tidal range 1.6 m

## ② Design level

Design high water level 2.7 m

Design low water level 0.3 m

Extreme high water level 3.6 m

Extreme low water level -0.5 m

## ③ Tidal current

According to the measured current data of the engineering region from April 19, 2009 to May 23, 2009 by PT. GEOMARINDEX, the flow velocity of the maximum laminar flow, measured by stratified measurement, was 0.76m/s. The average laminar flow velocity was 0.1m/s. The proposed project point is at the nearshore side with reversing current as main tidal current.

## ④ Wave

There is no actually measured wave data available for the proposed project location. According to the wind condition of local sea area, through preliminary calculation, the design wave elements for 50 years return period of the proposed project point are as below:

Design wave elements for 50 years return period

| 计算水位  | 计算风速 15m/s |        |        |         |      |      |        |
|-------|------------|--------|--------|---------|------|------|--------|
|       | H1%(m)     | H4%(m) | H5%(m) | H13%(m) | T(s) | L(m) | C(m/s) |
| 极端高水位 | 5.4        | 4.6    | 4.5    | 3.8     | 7.8  | 83   | 10.7   |

|            |                             |
|------------|-----------------------------|
| 计算水位       | Calculated water level      |
| 极端高水位      | Extreme high water level    |
| 计算风速 15m/s | Calculated wind speed 15m/s |

## 9) Earthquake

The project is located in Bahodopi Town, Morowali County, Central Sulawesi, Indonesia, and is near equator. There is no active volcano movement and typhoon

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within a radius of 200km.

According to the national earthquake dynamic parameter map of Indonesia, the ground peak acceleration of exceeding 10% probability in 50 years for the region where the engineering site locates is 0.2g; the corresponding seismic fortification intensity is 8 degrees.

The factory location of this proposed project is at flat terrain. It belongs to a basic stability area. The crust stability in the scope of this factory is good. No obvious movement and fracture structure are found there. In the factory, there is no poor engineering geology. This region belongs to a relatively stable geologic body.

## **7. Market Analysis**

### **7.1 Macro economy of Indonesia**

Driven by the rapid development of Philippines, Vietnam and Indonesia, Southeast Asia is believed as the region with the highest economic development potential in the next 5-10 years. Indonesia is expected to become the seventh economic entity in the world:

- Indonesia, as one of the biggest developing countries in the world, has been keeping rapid economic development in the past 10 years.
- Benefiting from its optimum population structure, cheap labor force and large consumption market, it is expected that the economy of Indonesia will still keep rapid growth in the next 10 years.
- Along with the mining industry development in Indonesia, a large number of international companies choose to build factories in Indonesia, so as to further facilitate the development of heavy industry in Indonesia.
- As a large island country, Indonesia possesses wide geographical distribution. Along with the increase of the urbanization rate, it is an urgent issue of developing infrastructure construction rapidly for satisfying the demand of urban residents at present. In the meantime, it also pushes the demand of industrial products, including non-ferrous metal and steel.
- Because Indonesia has the advantage of cheap labor force, so there is high possibility that it may catch up with and surpass China for becoming the manufacturing basis of Southeast Asia, and even the world.
- Indonesia investment occupies more and more proportion of GDP year

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by year. It grew from 25% in 2000 to 35% in 2015. It is predicted that the proportion of Indonesia investment would keep rapid growth in the next 10 years.

- However, there are many uncertainties of Indonesia, such as political stability, currency devaluation, transportation bottleneck, low labor productivity, and imbalance of different regions/island development stage.

## **7.2 Iron and steel industry of Association of Southeast Asian Nations (ASEAN)**

### **(1) Steel productivity and consumption amount**

- The consumption amount of crude steel of ASEAN's six countries has obtained doubled achievement in the past 10 years. Vietnam, Philippines and Indonesia lead the growth of steel consumption in this region.

- Except Malaysia and Singapore, the per capita steel consumption of the other four countries is still low. It can be expected that consumption growth potential will be huge in future.

- Per capita consumption and per capita GDP indicate that the four countries with large population, i.e. Indonesia, Philippines, Vietnam and India are experiencing the process of rapid steel consumption growth, just like China 15 years ago.

- The ASEAN region is still at the early stage of industrialization. The building industry is still the field for maximum steel consumption, which accounts for 63%.

- According to the development experience of China and developed countries, the building industry will keep the field with the maximum steel consumption at least for 15-20 years. The manufacturing industry of ASEAN region is still at a developing stage.

- Key of successful development of iron and steel industry: build a complete industrial chain; such as the finished industrial chain of China, Japan, Korea, Taiwan, Europe and America. On the contrary, ASEAN did not build a complete iron and steel industrial chain.

- Although steel consumption is doubled, the compound annual growth rate (CAGR) of six Southeast Asia countries on steel productivity for the same period was only 2.6% (2004-2016).

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- Almost all the steel consumption growth of ASEAN region is filled up by import.

## (2) Expectation

Just like fixed assets investment and the industrialization process, Vietnam and Indonesia will step in the rapid channel of iron and steel consumption.

Among the countries in the ASEAN, there is high possibility for Indonesia and Vietnam to enter into the growth stage of high speed industrialization and high fixed assets investment in a short term.

On the base of the experience of China, it will first encounter the growth stage of high fixed assets investment. Once the relatively complete infrastructure system is established, the growth stage of high speed industrialization will be started.

## Development analysis of the ASEAN's six countries

| 国家                                        | 印尼 | 越南 | 泰国  | 马来西亚  | 菲律宾 |
|-------------------------------------------|----|----|-----|-------|-----|
| 目前基础设施水平                                  | 较差 | 较差 | 一般  | 中等到发达 | 较差  |
| 增长进入高额固定资产投资阶段的可能性                        | 高  | 高  | 中等  | 低     | 中等  |
| 高额固定资产投资增长阶段通常会消耗大量的钢产品：螺纹钢、棒材、线材、普通板材产品等 |    |    |     |       |     |
| 目前工业化水平                                   | 低  | 低  | 中到高 | 低     | 低   |
| 增长进入高速工业化阶段的可能性                           | 高  | 高  | 低   | 低     | 低   |
| 高速工业化增长阶段通常会消耗高品质钢材：高质量长材、高质量板材如汽车板、家电板等。 |    |    |     |       |     |

| 国家                                        | Country                                                                                                                                                                  |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 目前基础设施水平                                  | Present infrastructure level                                                                                                                                             |
| 增长进入高额固定资产投资阶段的可能性                        | Possibility of growth entering high fixed-asset investment stage                                                                                                         |
| 高额固定资产投资增长阶段通常会消耗大量的钢产品：螺纹钢、棒材、线材、普通板材产品等 | Large quantities of steel products usually consumed in the high fixed-asset investment growth stage: deformed steel bars, bars, wire rods, ordinary plate products, etc. |

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|                                           |                                                                                                                                                                                  |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 目前工业化水平                                   | Present industrialization level                                                                                                                                                  |
| 增长进入高速工业化阶段的可能性                           | Possibility of growth entering high speed industrialization stage                                                                                                                |
| 高速工业化增长阶段通常会消耗高品质钢材：高品质长材、高品质板材如汽车板材、家电板等 | High quality steel usually consumed in the high speed industrialization growth stage: high quality long steel, high quality plates like auto plates, home appliance plates, etc. |
| 印尼                                        | Indonesia                                                                                                                                                                        |
| 越南                                        | Vietnam                                                                                                                                                                          |
| 泰国                                        | Thailand                                                                                                                                                                         |
| 马来西亚                                      | Malaysia                                                                                                                                                                         |
| 菲律宾                                       | Philippines                                                                                                                                                                      |
| 较差                                        | Poor                                                                                                                                                                             |
| 一般                                        | Average                                                                                                                                                                          |
| 中等                                        | Medium                                                                                                                                                                           |
| 中到高                                       | Medium to high                                                                                                                                                                   |
| 高                                         | High                                                                                                                                                                             |
| 低                                         | Low                                                                                                                                                                              |

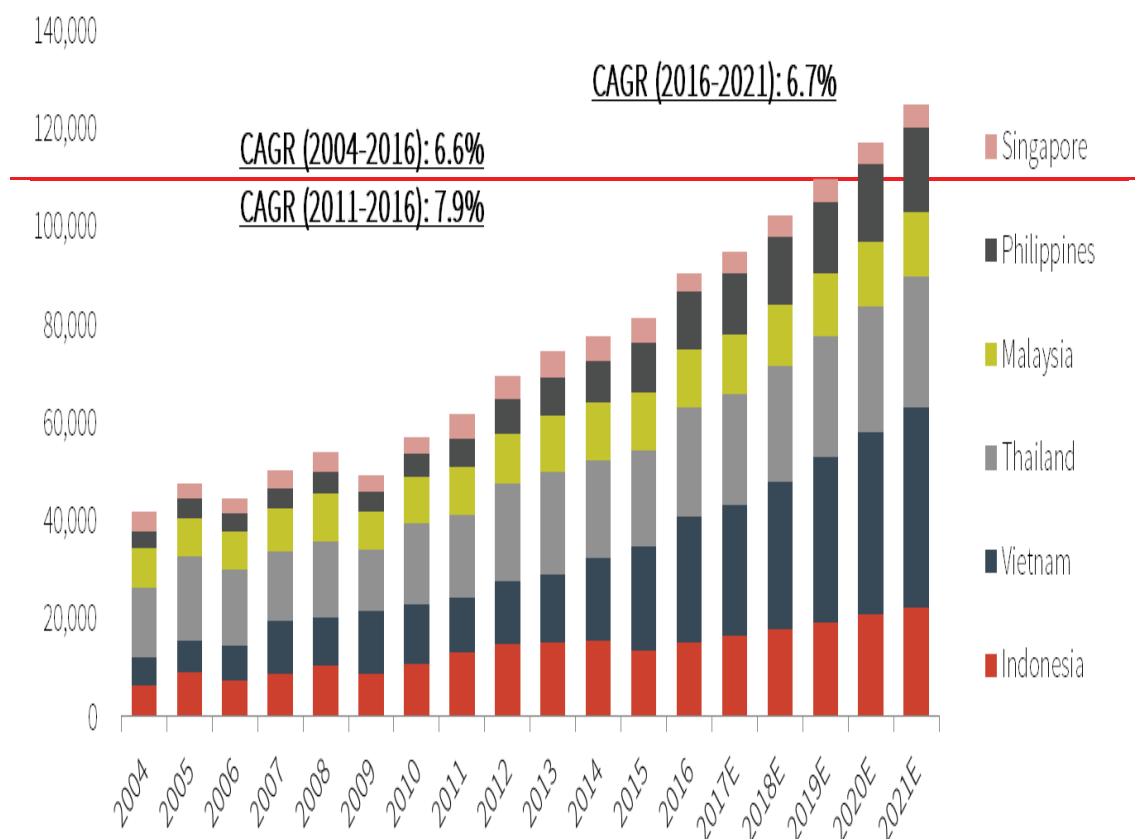
Benefiting from the growth Driving of Indonesia and Vietnam, it is predicted that the crude steel consumption of the six countries in the ASEAN will reach 125 million tons in 2021.

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Steel consumption of ASEAN's six countries (000 ton, converted into crude steel)



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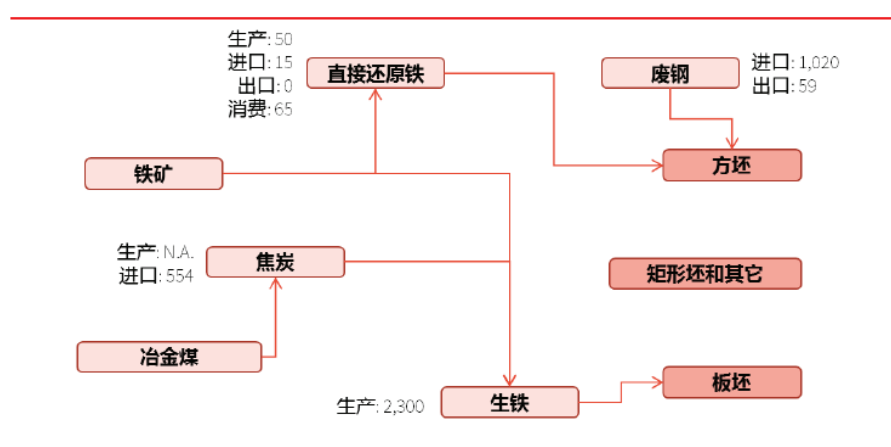


### 7.3 Iron and steel industry of Indonesia

#### (1) Overview

Indonesia's iron and steel industry cannot support industrial development. Especially the upstream iron making and steel making are lack of competitive production capacity.

Diagram: Iron and steel of Indonesia in 2016 (upstream) (000 ton)



|        |                       |
|--------|-----------------------|
| 生产     | Production            |
| 进口     | Imports               |
| 消费     | Consumption           |
| 出口     | Exports               |
| 直接还原铁  | Direct reduction iron |
| 废钢     | Scrap steel           |
| 铁矿     | Iron ore              |
| 方坯     | Billet                |
| 焦炭     | Coke                  |
| 矩形坯和其他 | Bloom and others      |
| 冶金煤    | Metallurgical coal    |
| 生铁     | Pig iron              |

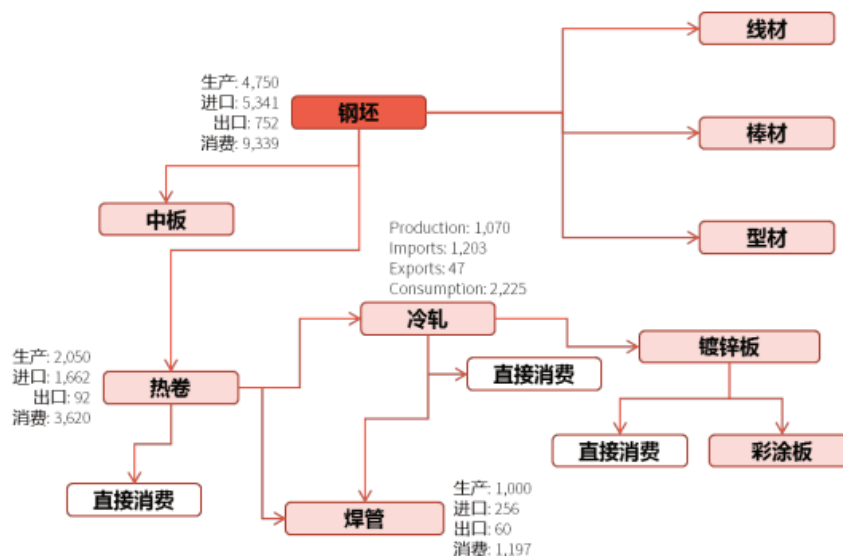
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|    |      |
|----|------|
| 板坯 | Slab |
|----|------|

Diagram: iron and steel of Indonesia in 2016 (downstream)



|      |                    |
|------|--------------------|
| 生产   | Production         |
| 进口   | Imports            |
| 出口   | Exports            |
| 消费   | Consumption        |
| 钢坯   | Steel billet       |
| 中板   | Medium plate       |
| 线材   | Wire rod           |
| 棒材   | Bar                |
| 型材   | Section            |
| 热卷   | Hot rolled         |
| 冷轧   | Cold rolled        |
| 直接消费 | Direct consumption |
| 镀锌板  | Galvanized sheet   |
| 彩涂板  | Color coated sheet |

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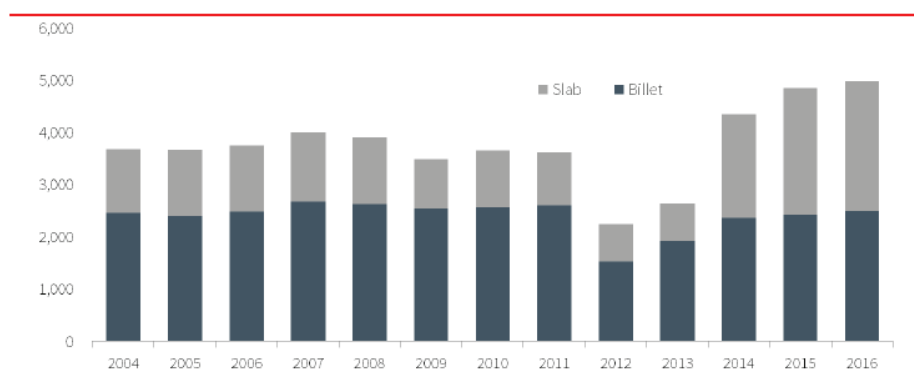


|    |             |
|----|-------------|
| 焊管 | Welded pipe |
|----|-------------|

## (2) Steel output and consumption amount of Indonesia

Steel making: the total productivity of steel making in Indonesia reaches 10 million tons, including 5.2 million slab and 4.8 million tons billet. In the past two years, the capacity utilization rate has been keeping around 50%.

Diagram: Billet steel production of Indonesia, 000 ton



Steel making: except PTKS, and Jakarta CakraTunggal steel enterprise, most of the steel-making enterprises in Indonesia are small-scale private electric furnace enterprises, and even some induction furnace steel-making enterprises. The production technology is relatively backward.

Diagram: Major steel-making enterprises in Indonesia, 000 ton/ year

| 产能   |       | 产能                                |       |
|------|-------|-----------------------------------|-------|
| 板坯   | 产能    | 方坯和矩形坯                            | 产能    |
| PTKS | 5,200 | Pangeran Karang Murni             | 4,842 |
| PTKP | 2,300 | Ispat Indo                        | 800   |
|      | 3,000 | PT Krakatau Steel                 | 600   |
|      |       | Jakarta Cakra Tunggal Steel Mills | 650   |
|      |       | Jakarta Steel Megah Utama         | 420   |
|      |       | Growth Sumatra Industry           | 410   |
|      |       | Inter World Steel Mill Indonesia  | 350   |
|      |       | Hanil Jaya Steel                  | 250   |
|      |       | Jatim Taman Steel                 | 250   |
|      |       | Toyogiri Iron & Steel             | 120   |
|      |       | Pulogadung Steel                  | 120   |
|      |       | Mandiri Union Sejati              | 60    |
|      |       |                                   | 30    |

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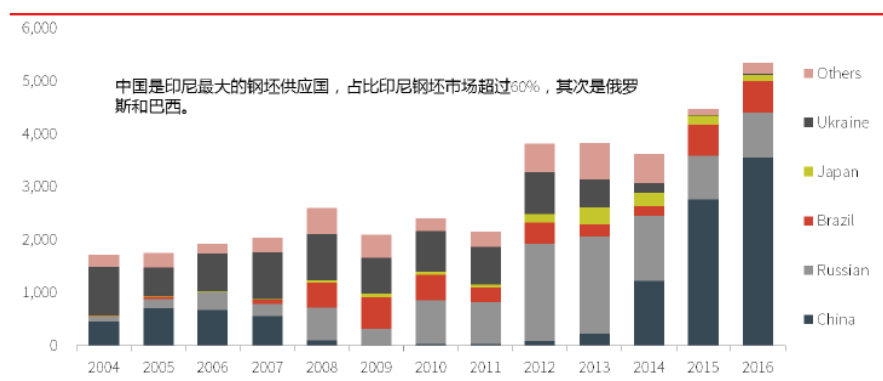


|        |                  |
|--------|------------------|
| 产能     | Capacity         |
| 板坯     | Slab             |
| 方坯和矩形坯 | Billet and bloom |

Information source: IISIA, SEASIS Statistical Yearbook, ZG

Steel billet: compared with foreign combined enterprise, the domestic steel-making enterprises are short of cost competitiveness. The steel rolling production enterprises of Indonesia have to import a large number of steel bullets. And the import amount is increasing continuously.

Diagram: Steel billet import of Indonesia, 000 ton



中国是印尼最大的钢坯供应国，占比印尼钢坯市场超过 60%，其次是俄罗斯和巴西

China is the largest steel billet provider to Indonesia, accounting for more than 60% of Indonesia's total market share, followed by Russia and Brazil.

Steel billet: according to the data of Indonesia Custom, the import amount of steel billet of Indonesia was 5.3 million tons in 2016, including 1.4 million tons of billet and 1.5 million tons of slab, and 2.4 million tons of bloom and others.

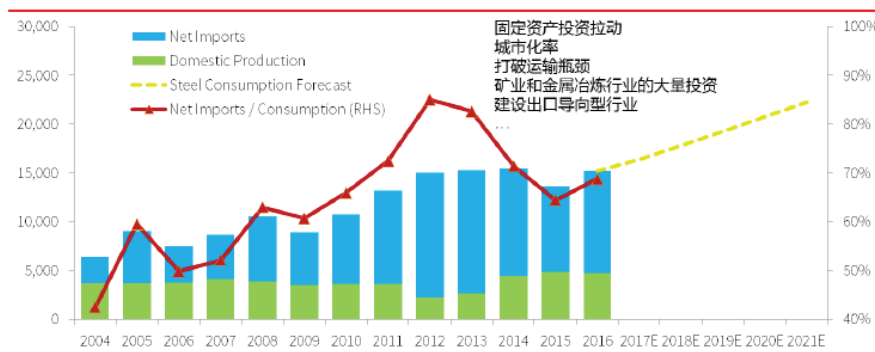
On the base of economic development and industry structure of Indonesia, it is expected that the steel consumption in 2021 will exceed 22 million tons. The compound annual growth rate will exceed 7%.

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Diagram: Steel consumption of Indonesia, converted into crude steel, 000 ton



|                |                                                          |
|----------------|----------------------------------------------------------|
| 固定资产投资拉动       | Driven by fixed-asset investment                         |
| 城市化率           | Urbanization rate                                        |
| 打破运输瓶颈         | Break transportation bottleneck                          |
| 矿业和金属冶炼行业的大量投资 | Large investment to mining and metal smelting industries |
| 建设出口导向型行业      | Construct export-oriented industries                     |

Steel consumption view of Indonesia:

- In the past 10 years, the steel consumption of Indonesia had been keeping rapid growth. The steel consumption amount increased from 6.4 million tons in 2004 to 13.7 million tons in 2015 (converted into crude steel). The compound annual growth rate was 6%.
- The key issue of iron and steel industry development in Indonesia is low self-sufficiency rate of iron and steel consumption. The self-sufficiency rate of iron and steel of Indonesia was only 36% in 2015. In addition, the capacity utilization rate of iron and steel in Indonesia is also low. Therefore, Indonesia has to import a large number of iron and steel from Japan, Korea, Taiwan and China.
- At present, the per capita steel consumption of Indonesia is only 53 kilograms which is equivalent to India. It is far below the world per capita steel consumption of 224 kilograms, and also below to 227 kilograms of Vietnam. In other words, it is sure that Indonesia has great potential for improving its iron and steel consumption amount.

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### (3) Steel export amount of Indonesia

Steel material: China, Japan, and Korea are the top three largest steel export countries for Indonesia. The total accumulative amount exceeds 70% of steel import amount of Indonesia.

Diagram: Steel import of Indonesia from different countries, 000 ton

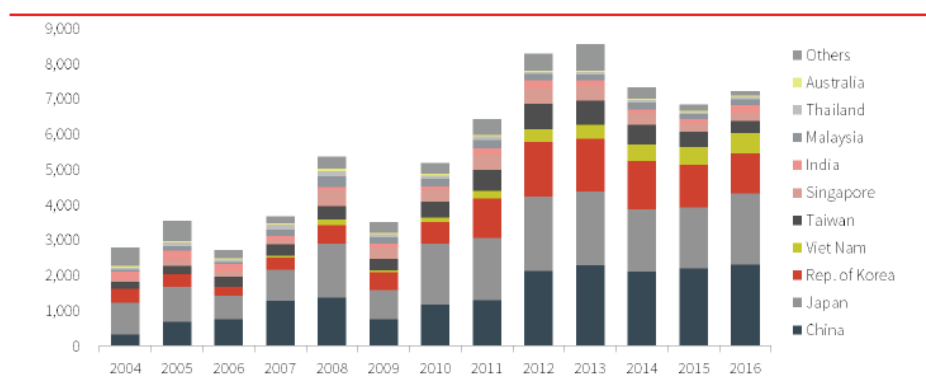
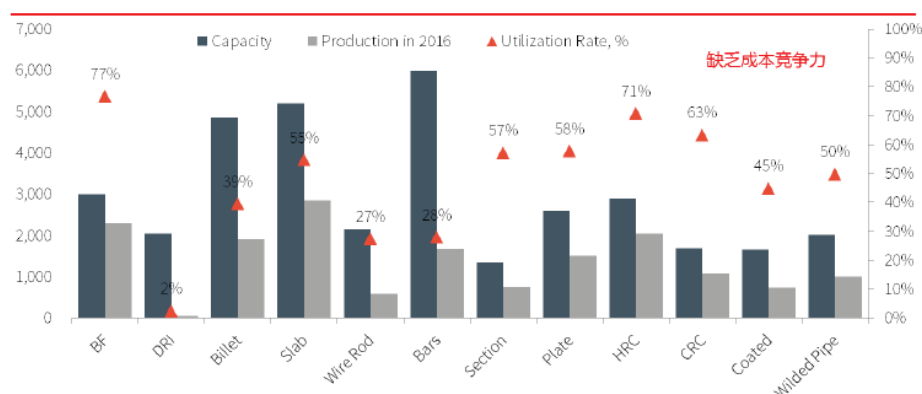


Diagram: Steel production capacity, output and capacity utilization rate of Indonesia, 000 ton, 000 t/year, %



缺乏成本竞争力

Lack the cost competitiveness

In the next few years, it is predicted that the steel product consumption of Indonesia would keep rapid growth trend. Among the steel products, the bars have the highest potential for growth.

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Diagram: Steel product consumption prediction of Indonesia, 000 ton

| 钢铁产品              | 2016年消费       | 2021年消费       | 增长           |
|-------------------|---------------|---------------|--------------|
| 线材                | 1,378         | 2,463         | 1,085        |
| 棒材                | 2,119         | 3,606         | 1,487        |
| 型材                | 1,000         | 1,778         | 778          |
| 中板                | 1,442         | 1,676         | 234          |
| 热轧卷板              | 3,620         | 5,079         | 1,459        |
| 冷轧卷板              | 3,620         | 4,825         | 1,205        |
| 镀锌                | 1,874         | 2,616         | 742          |
| 彩涂                | 306           | 508           | 202          |
| 焊管                | 1,197         | 1,778         | 581          |
| 其它                | 781           | 1,067         | 286          |
| <b>总计 (有重复统计)</b> | <b>17,337</b> | <b>25,395</b> | <b>8,058</b> |

|                   |                                           |
|-------------------|-------------------------------------------|
| 钢铁产品              | Steel products                            |
| 2016 年消费          | Consumption in 2016                       |
| 2021 年消费          | Consumption in 2021                       |
| 增长                | Growth                                    |
| 线材                | Wire rod                                  |
| 棒材                | Bars                                      |
| 型材                | Section                                   |
| 中板                | Medium plate                              |
| 热轧卷板              | Hot rolled coil                           |
| 冷轧卷板              | Cold rolled coil                          |
| 镀锌                | Galvanized                                |
| 彩涂                | Color coated                              |
| 焊管                | Welded pipe                               |
| 其他                | Others                                    |
| <b>总计 (有重复统计)</b> | <b>Total (with repetitive statistics)</b> |

### 7.4 Brief summary

At present, there are about dozens of steel enterprises in Indonesia with 200,000 practitioners and more than 10 million tons of annual production capacity. The annual production capacity of the state-owned enterprise Kaweikatuo steel company occupies more than half of the steel production of Indonesia. However, most of its production equipment is from 70-80s of last century. The iron and steel enterprises of Indonesia did not make large scale equipment update and reform in the past ten years. The

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production capacity and technical level are not high. The steel products of Indonesia are mainly applied to various tube materials for power station and other projects; wire rod, steel rebar and small section for bridge and other infrastructures; and all kinds of slabs for automobile and ship building.

Because of the rapid development of construction, infrastructure and automobile industry of Indonesia in recent years, the development trend of Indonesia is quite well at present. Therefore, many new enterprises emerge on the upstream. In 2012, PT Meratus Jaya steel started to produce sponge iron. In 2013, PT Krakatau POSCO started to produce steel billet.

The domestic steel users in Indonesia develop gradually, for example, automobile industry, ship building industry, electronic industry, building industry, infrastructure construction (road, bridge and port), power plant, electric power transmission, oil and gas exploitation, etc. Along with the rising domestic demand on automobile in Indonesia year by year, the automobile industry has also been developed rapidly in recent years. In 2013-2015, the domestic whole-vehicle production of Indonesia reached 1.2 million.

Compared with the other countries in the ASEAN, the domestic per capita steel consumption of Indonesia is low. The following diagram shows the domestic per capita steel consumption of Indonesia in 2014.

The economy of ASEAN stays in a stable development period. The GDP growth maintains at about 5%. At present, the per capita steel consumption of ASEAN is at low level of 127kg, which is below global 224kg, Asia 251kg and China 489kg. Along with the continuous economic development of ASEAN countries and expansion of infrastructure construction, the steel consumption in future will still show the growth trend with large development space.

As the biggest economic entity of ASEAN, Indonesia occupies an important position in ASEAN by the iron and steel industry. Along with the continuous economic expansion of Indonesia, especially the rapid development of infrastructure construction, manufacturing industry renaissance, and the new policy of attracting foreign investment, the continuous growth of iron and steel demand would be stimulated greatly in the next few years. It is predicted that the steel product demand of Indonesia would reach 24.75 million tons in 2019. Infrastructure, automobile, ship

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building and machinery industry will become the main driving forces for pulling the steel demand growth of Indonesia in future.

### 7.5 Conclusion

This project is planned to build plain carbon steel production lines with annual output of 3.5 million tons; and produce wire rods and bars so as to meet the demand of Indonesia and ASEAN market. The positioning of this project is appropriate.

## 8. Scale of Construction and Product Mix

### 8.1 Scale of Construction

Scale of Construction Table

| No. | Name                       | Output (10,000 t) | Remark |
|-----|----------------------------|-------------------|--------|
| 1   | Molten Iron                | 312               |        |
| 2   | Molten Steel               | 348               |        |
| 3   | Steel Billet               | 338               |        |
| 4   | Commercial Material/Billet | 333               |        |

### 8.2 Product Program

#### 8.2.1 Bar

- 1) Design Scale: 1,000,000 t/a
- 2) Product:  $\Phi 12 \sim 40$ mm twisted steel and  $\Phi 16 \sim 40$  round steel
- 3) Main Type of Steel: Low alloy steel and carbon structural steel

Product Mix

| Type of Steel   | Grade of Steel | Annual Output of Products of Different Specifications |                   |                   | Subtotal (Ton) | Proportion |
|-----------------|----------------|-------------------------------------------------------|-------------------|-------------------|----------------|------------|
|                 |                | $\Phi 12 \sim 16$                                     | $\Phi 18 \sim 22$ | $\Phi 25 \sim 40$ |                | %          |
| Low Alloy Steel | 20MnSi         | 420000                                                | 250000            | 130000            | 800000         | 80         |

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|                  |      |        |        |        |         |     |
|------------------|------|--------|--------|--------|---------|-----|
| Carbon           | Q195 | -      | 40000  | 160000 | 200000  | 20  |
| Structural Steel | Q235 |        |        |        |         |     |
| Total            |      | 420000 | 290000 | 290000 | 1000000 | -   |
| Specification %  |      | 42     | 29     | 29     | -       | 100 |

### 8.2.2 Wire Rod

- 1) Design Scale: 500,000 t/a
- 2) Product:  $\Phi 5.5\sim 16\text{mm}$  steel wire rod and  $\Phi 6.0\sim 12\text{mm}$  twisted steel wire rod
- 3) Main Type of Steel: Low alloy steel and carbon structural steel

#### Product Mix

| Type of Steel           | Grade of Steel | Annual Output of Products of Different Specifications |                    |                  | Subtotal (Ton) | Proportion |
|-------------------------|----------------|-------------------------------------------------------|--------------------|------------------|----------------|------------|
|                         |                | $\Phi 5.5\sim 6.5$                                    | $\Phi 7.0\sim 9.5$ | $\Phi 10\sim 16$ |                | %          |
| Low Alloy Steel         | 20MnSi         | 40000                                                 | 180000             | 180000           | 400000         | 80         |
| Carbon Structural Steel | Q195Q235       | 20000                                                 | 40000              | 40000            | 100000         | 20         |
| Total                   | -              | 60000                                                 | 220000             | 220000           | 500000         | -          |
| Specification %         |                | 12                                                    | 44                 | 44               | -              | 100        |

## 9. Manufacturing Technique Process and Metal Balance Diagram

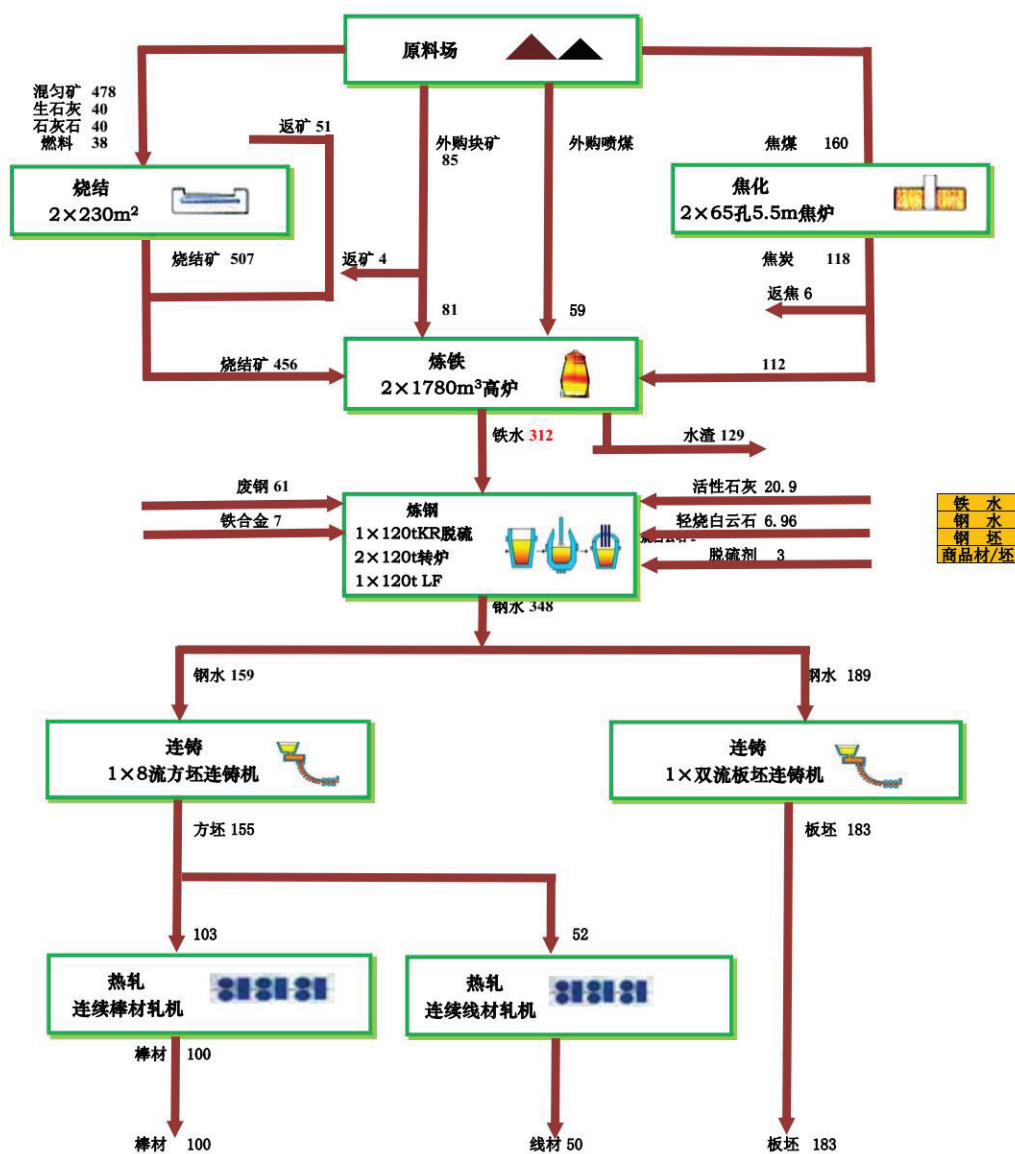
This project adopts a long-process manufacturing technique which is advanced, practicable and reliable; the manufacturing technique: routine blast furnace—full molten iron desulphurization pretreatment—top and bottom combined blowing converter—external refining—continuous casting—hot continuous rolling is applied to puddling; the project realizes high-efficient production, compacted process, continuity and coordination so as to accommodate low-cost plain carbon steel products. Please see the flow chart below for the manufacturing technique process and

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metal balance diagram:

德信钢铁 350 万吨综合钢厂工艺流程及金属平衡图  
(单位: 万 t)



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|                                   |                                                                                                             |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------|
| 德信钢铁 350 万吨综合钢厂工艺流程及金属平衡图（单位：万 t） | Process Flow Diagram and<br>mental Balance Diagram of<br>Dexin Steel 3,500,000t<br>Comprehensive Steel Mill |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------|

|         |                            |
|---------|----------------------------|
| 单位（万 t） | Unit (10,000/t)            |
| 原料场     | Stock yard                 |
| 铁矿粉     | Iron ore fines             |
| 返矿      | Return ores                |
| 外购块矿    | Outsourcing lump ore       |
| 外购喷煤    | Outsourcing coal injection |
| 焦煤      | Charred coal               |
| 焦化      | Coking                     |
| 焦炭      | Coke                       |
| 返焦      | Return coke                |
| 炼铁      | Ironsmelting               |
| 高炉      | Blast furnace              |
| 白云石     | Dolomite                   |
| 石灰石     | Limestone                  |
| 返矿      | Return ores                |
| 混匀矿     | Blended material           |
| 生石灰     | Quick lime                 |
| 燃料      | Fuel                       |
| 烧结矿     | Sinter                     |
| 铁水      | Molten iron                |
| 水渣      | Granulated slag            |
| 废钢      | Steel scrap                |
| 炼钢      | Steelmaking                |
| 铁合金     | Ferroalloy                 |

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|        |                      |
|--------|----------------------|
| 脱硫     | Desulphurization     |
| 转炉     | Converter            |
| 轻烧白云石  | Light-burneddolomite |
| 脱硫剂    | Desulfurizer         |
| 铁水     | Molten iron          |
| 钢水     | Molten steel         |
| 钢坯     | Billet               |
| 连铸     | Continuous casting   |
| 方坯连铸机  | Billet caster        |
| 板坯连铸机  | Slab caster          |
| 方坯     | Billet               |
| 板坯     | Slab                 |
| 热轧     | Hot-rolling          |
| 连续棒材轧机 | Continuous bar mill  |
| 连续线材轧机 | Continuous wire mill |
| 棒材     | Bar                  |
| 线材     | Wire                 |

### 10 Project Construction Schedule

**The project is planned in a unified way, is designed for one time and is completed for one time.**

Construction period: After completion of foundation treatment, it is completed and put into operation in 14 months.

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## **11 Project investment as well as economic calculation and evaluation**

### **11.1 Project investment**

#### 11.1 Project overview

The project feasibility study of investment estimate of 3.5 million tons of steel is formed according to the relevant information provided by our company's design specialties.

The project's static investment is 884.1786 million dollars,

wherein Land acquisition fee 25.0000 million dollars

Equipment purchase fee 521.56401 million dollars

Construction cost 271.4734 million dollars

Other expenses 66.1413 million dollars

See the total estimate table for the project investment.

### **11.2 Investment description**

1) The cost estimate of the project is calculated and adjusted to the local price level in Indonesia by referring to similar projects and current domestic equipment market prices.

2) Other expenses and unforeseen expenses are estimated in accordance with similar projects;

3) The investment does not include pellet investment;

4) The investment does not include the cost of foundation treatment.

Investment Estimation

Unit: 10000 dollars

| Serial Number | Item                                          | Investment (US \$10000) |
|---------------|-----------------------------------------------|-------------------------|
| 1,            | Land acquisition fee (about 1.031 million m2) | 2500.00                 |
| 2,            | Equipment fee                                 | 52156.40                |

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|       |                                                                                                                                           |          |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 2.1   | 2X65 hole complex thermal coke oven (including CDQ power generation)                                                                      | 7197.35  |
| 2.2   | 2*230m2 sintering engineering (including desulfurization)                                                                                 | 5756.55  |
| 2.3   | 3×600tPd double-hearth lime kiln                                                                                                          | 1135.77  |
| 2.4   | Raw material system                                                                                                                       | 367.42   |
| 2.5   | Iron-making project (2*1780m3 blast furnace)                                                                                              | 14340.69 |
| 2.6   | Steelmaking engineering (2*120t converter, 120tKR desulfurization, 120tLF, one 8-strand billet caster, and one double-strand slab caster) | 12090.94 |
| 2.7   | Hot rolling (600 thousand tons of high wires+900 thousand tons of bars)                                                                   | 5760.81  |
| 2.8   | Public and auxiliary facilities                                                                                                           |          |
| 2.8.1 | Water treatment system                                                                                                                    | 193.63   |
| 2.8.2 | Converter gas holder (dry process)                                                                                                        | 200.23   |
| 2.8.3 | 2x25000 Nm3/h air separation oxygen generation                                                                                            | 4185.70  |
| 2.8.4 | Outer net                                                                                                                                 | 67.16    |
| 2.8.5 | Slag re-treatment                                                                                                                         | 127.38   |
| 2.8.6 | Inspection center room                                                                                                                    | 314.93   |
| 2.8.7 | Centralized air compressor station                                                                                                        | 372.67   |
| 2.8.8 | Road                                                                                                                                      | 45.16    |
| 3,    | Civil engineering and installation costs                                                                                                  | 27147.34 |
| 3.1   | Steel structure (imported from China)                                                                                                     | 5916.05  |
| 3.2   | Steel pipe (imported from China)                                                                                                          | 1182.67  |
| 3.3   | Cable (imported from China)                                                                                                               | 1970.64  |

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|     |                                                                                                                       |          |
|-----|-----------------------------------------------------------------------------------------------------------------------|----------|
| 3.4 | Refractories (imported from China)                                                                                    | 3547.14  |
| 3.5 | Foundation, civil engineering, installation, equipment debugging, shift cost, building auxiliary materials and others | 14530.84 |
| 4,  | Other expenses                                                                                                        | 6614.13  |
|     | Total                                                                                                                 | 88417.86 |

## 12 Economic Calculation and Evaluation

### 12.1 Illustration

The design does the economic calculation and evaluation according to the related regulations of Economic Evaluation Methods and Parameters of Construction Projects (Third Edition) (Development and Reform Investment (2006) No. 1325) issued by China National Development and Reform Commission and Ministry of Construction and current State finance and taxation regulations of the project.

The project uses tax exclusive price to calculate the economic benefits. The calculation is denominated in US dollars.

### 12.2 Production Scale

The annual production scale of the project is: Bar 1 million t/a, wire rod 500 thousand t/a, and slab 1.83 million t/a.

### 12.3 Total investment and financing

Total investment unit: 0.01 Million dollars

| Serial Number | Item | Numerical Value | Remarks |
|---------------|------|-----------------|---------|
|               |      |                 |         |

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|     |                                         |           |  |
|-----|-----------------------------------------|-----------|--|
| I   | Total project investment                | 94925.56  |  |
| 1.1 | Construction investment                 | 88417.86  |  |
| 1.2 | Interest during construction            | 2657.84   |  |
| 1.3 | Initial working capital                 | 3849.86   |  |
| II  | Working capital loan                    | 8983.01   |  |
| III | Total investment in economic evaluation | 103908.58 |  |

The total investment is 949.2556 million US dollars, wherein construction investment is 884.1786 million dollars, construction period interest is 26.5784 million dollars, and initial working capital is 38.4986 million dollars. The financing plan is as follows: self-raised funds: 285 million US dollars, and for the rest, banks are requested to provide long-term project financing.

All bank loans are temporarily calculated at an annual rate of 5% on the consolidated loan.

### 12.4 Project construction period and target output reaching period

Calculate according to the project construction period of 14 months, after the first year of production, 80% of target output would be reached, and after the second year, 100% of target output would be reached. Calculate according to the calculation period of the project of 17 years.

### 12.5 Financial calculation

#### 12.5.1 Cost calculation

##### (1) Raw materials

The prices of raw materials, auxiliary materials and fuel power of the project would be comprehensively determined by referring to the international market price and the market price in China from January to March in 2017. Iron ore is considered by Australian imports, and coking coal, bituminous coal, injection coal, etc. are purchased from Indonesia or imported from Australia; limestone is purchased from Indonesia.

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The prices of the raw materials and fuels are calculated as follows:

|                 |                 |
|-----------------|-----------------|
| Iron ore powder | 85.00 dollar/t  |
| Lump ore        | 90.00 dollar/t  |
| Steel scrap     | 260.00 dollar/t |
| Coking coal     | 175.00 dollar/t |
| Bituminous coal | 70.00 dollar/t  |
| PCI coal        | 105.00 dollar/t |
| Limestone       | 20.00 dollar/t  |

### (2) Staff salaries and benefits

After the first year of production, the number of Chinese employees would be 594 and account for 20% of the total number of people, and the number of Indonesia employees would be 2376 and accounted for 80% of the total number of people; within 5 years after the production, the proportion of Chinese employees would drop to 10% with the number of 297, and the proportion of Indonesian employees would rise to 90% with the number of 2673. The average salary and welfare fee of employees is calculated at 473 dollars / person / month.

### (3) Depreciation Charge

The fixed assets investment would be depreciated according to the straight-line method that the ratio of remaining value is 5%, and the comprehensive depreciation period is 12 years.

### (4) Repairs and maintenance costs

Calculate according to 4% of the equipment investment.

### (5) Management fees and sales expenses

Management fees and sales expenses are calculated at 13.50 dollars /t and \$5/t, respectively.

For reaching the target output of the project, annual manufacturing cost is 1229.4886 million dollars; the total cost of normal year (after payment of loans, the same below) is 1295.5851 million dollars, and the operating cost is 1218.9920 million dollars.

## 12.5.2 Sales revenue

Products are mainly sold in Indonesia, and the selling price is determined by referring to the international market price from January to March 2017. Bars and wire rods are

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calculated at 455.00 dollars/t, and the slab price is calculated at 430 dollars/t.

The annual sales income of the project will reach 1469.4000million dollars.

### **12.5.3 Sales tax**

According to Indonesia's current tax policy, the value-added tax rate of project products is 10%.

### **12.5.4 Profit and distribution**

According to Indonesia's current tax policy, calculate at the income tax rate of the project of 25%.

Normal annual net profit would be 130.3612 million dollars.

## **12.6 Financial analysis**

### **12.6.1 Financial viability analysis**

The net cash flow and accumulated surplus funds during each year of the project calculation period are positive, and there is sufficient net cash flow for each year to maintain the normal operation of the project which can promise the sustainability of project finance.

### **12.6.2 Financial profitability analysis**

The main financial evaluation indicators calculated from the project investment cash flow statement and the project capital cash flow statement are as follows.

Major Financial Evaluation Indicators

| Serial Number | Item                                                                | Unit         | Numerical Value |
|---------------|---------------------------------------------------------------------|--------------|-----------------|
| 1             | Financial internal rate of return of project investment (after tax) | %            | 17.21           |
| 2             | Financial net present value ( FNPV, ic=10%)                         | 0.01 Million | 42300.56        |

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|   |                                                                         |         |       |
|---|-------------------------------------------------------------------------|---------|-------|
|   |                                                                         | dollars |       |
| 3 | Payback period of project investment<br>(including construction period) | Year    | 6.67  |
| 4 | Financial internal rate of return of<br>project capital (after tax)     | %       | 32.03 |

### 12.6.3 Solvency analysis

Repay borrowings by project depreciation and repayment profits. The repayment ability analysis adopts the repayment method of equal principal repayment and interest payment; the term of equal principal repayment is 8 years (excluding construction period). After calculation, the solvency indexes of the project are shown in the following table. During the repayment period, the annual interest reserve rate and the debt service reserve ratio are both greater than 1, indicating that the repayment ability of the project is stronger.

Solvency Index Table

| Particular<br>Year                 | Production Period |      |      |      |      |       |       |       |
|------------------------------------|-------------------|------|------|------|------|-------|-------|-------|
|                                    | 3                 | 4    | 5    | 6    | 7    | 8     | 9     | 10    |
| Rate of<br>Interest<br>Reserve     | 2.97              | 5.31 | 6.06 | 7.06 | 8.45 | 10.52 | 13.93 | 20.63 |
| Debt<br>Service<br>Reserve<br>Rate | 1.36              | 1.84 | 1.90 | 1.96 | 2.03 | 2.10  | 2.18  | 2.27  |

From the balance sheet, asset liability ratio, liquidity ratio, quick ratio and other indicators of this project are good, showing that the structure of assets, liabilities and owner's equity of this project is reasonable and the solvency is strong.

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#### **12.6.4 Uncertainty Analysis**

##### **1) Break Even Analysis**

The normal annual break even point is 51.51%, and the product output is 1.7152 million t.

##### **2) Sensitivity Analysis**

A sensitivity analysis of the impact to the internal rate of return on Finance is done according to the changes of product prices, operating costs, investment in fixed assets and other factors. The results show that the project has a strong ability to resist risks.

#### **12.7 Economic Evaluation**

The financial internal rate of return of all investment income of the project after tax is 17.21%; the financial rate of return of the project capital is 32.03%; the total investment recovery period is 6.67 years (including construction period), and the repayment period of the loan is 9.5 years (including construction period). It shows that the project has a strong capital profitability and liquidity, and sensitivity analysis shows that the project has a strong ability to resist risks. It shows that the project is financially feasible.

#### **12.8 Economic Benefit Indicators**

The main economic indicators of the input and output of this project are shown in the following table.

| Serial Number | Indicator Name                        | Unit           | Numerical Value | Remarks    |
|---------------|---------------------------------------|----------------|-----------------|------------|
| 1             | Construction investment               | 10,000 dollars | 88417.86        |            |
| 2             | Interest incurred during construction | 10,000 dollars | 2657.84         |            |
| 3             | Working capital                       | 10,000 dollars | 12832.88        |            |
| 4             | Annual operating income               | 10,000         | 146940.00       | The target |

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|    |                           |                   |           |                                      |
|----|---------------------------|-------------------|-----------|--------------------------------------|
|    |                           | dollars           |           | output<br>reaching<br>year           |
| 5  | Annual cost               | 10,000<br>dollars | 129558.51 | Normal<br>year                       |
| 6  | Annual tax and additional | 10,000<br>dollars | 0.00      |                                      |
| 7  | Annual operating profit   | 10,000<br>dollars | 17381.49  | Normal<br>year                       |
| 8  | After-tax profits         | 10,000<br>dollars | 13036.12  | Normal<br>year                       |
| 9  | Income tax indicator:     |                   |           |                                      |
|    | FIRR:                     | %                 | 17.21     |                                      |
|    | NPV:                      | 10,000<br>dollars | 42300.56  | ic=10%                               |
|    | Pt:                       | Year              | 6.67      | Including<br>constructi<br>on period |
|    | FIRR                      | %                 | 32.03     |                                      |
| 10 | Loan repayment period     | Year              | 9.50      | Including<br>constructi<br>on period |

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### DELONG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199705215G)

*All capitalised terms used in this Notice which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Company's circular to Shareholders dated 2 December 2017.*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting ("EGM") of Delong Holdings Limited (the "**Company**") will be held at 55 Market Street, #03-01, Singapore 048941 on 18 December 2017 at 9.30 a.m. for the purposes of considering and, if thought fit, passing with or without modifications the following resolutions set out below:-

**Shareholders should note that Ordinary Resolution 3 is subject to and contingent upon Ordinary Resolution 2 being passed. Accordingly, in the event that Ordinary Resolution 2 is not approved, Ordinary Resolution 3 will not be duly passed.**

#### **ORDINARY RESOLUTIONS**

##### **ORDINARY RESOLUTION 1: THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE ASSET MANAGEMENT BUSINESS**

That:

- (a) approval be and is hereby given for the Proposed Diversification of the Group's business to include the Asset Management Business;
- (b) the Directors (or any one of them) be and hereby authorised to take such steps and do all such acts and things (including without limitation, to sign, seal execute and deliver all such documents and deeds) and to exercise such discretion in relation to the Proposed Diversification as they or he may deem fit, with such modifications thereto (if any) as they or he may consider necessary, desirable or expedient in order to give full effect to this Ordinary Resolution 1; and
- (c) any acts, matters and things done or performed, and/or documents signed, executed, sealed or delivered by a Director in connection with the Proposed Diversification be and are hereby approved, confirmed and ratified.

##### **ORDINARY RESOLUTION 2: THE PROPOSED EXPANSION OF THE SCOPE AND GEOGRAPHICAL LOCATION OF THE GROUP'S STEEL BUSINESS TO SOUTHEAST ASIA, IN PARTICULAR INDONESIA AND THE OTHER ASEAN COUNTRIES**

That:

- (a) approval be and is hereby given for the Proposed Expansion of the Group's business to Southeast Asia, in particular Indonesia and the other ASEAN countries;
- (b) approval be and is hereby given for the transactions relating to the Proposed Expansion, and any other transactions in connection with or ancillary to the Proposed Expansion, including but not limited to other joint venture activities or transactions, to be considered or regarded as in furtherance of the ordinary course of business of the Company; and
- (c) the Directors (or any one of them) be and hereby authorised to take such steps and do all such acts and things (including without limitation, to sign, seal execute and deliver all such documents and deeds) and to exercise such discretion in relation to the Proposed Expansion as they or he may deem fit, with such modifications thereto (if any) as they or he may consider necessary, desirable or expedient in order to give full effect to this Ordinary Resolution 2.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTION 3: THE PROPOSED JOINT VENTURE WITH SHANGHAI DECENT INVESTMENT (GROUP) CO., LTD AND PT. INDONESIA MOROWALI INDUSTRIAL PARK

That subject to and contingent upon the passing of Ordinary Resolution 2:

- (a) approval be and is hereby given for the Company to enter into the Proposed JV to the extent mandated and according to the terms under the Agreement as described in the Circular and that the aforementioned is hereby approved, confirmed and ratified;
- (b) the Directors (or any one of them) be and hereby authorised to take such steps and do all such acts and things (including without limitation, to sign, seal execute and deliver all such documents and deeds) and to exercise such discretion in relation to the Proposed JV as they or he may deem fit, with such modifications thereto (if any) as they or he may consider necessary, desirable or expedient in order to give full effect to this Ordinary Resolution 3; and
- (c) any acts, matters and things done or performed, and/or documents signed, executed, sealed or delivered by a Director in connection with the Proposed JV be and are hereby approved, confirmed and ratified.

BY ORDER OF THE BOARD

Ding Ligu  
Executive Chairman

2 December 2017  
SINGAPORE

**Notes:-**

- 1. A member of the Company (other than a relevant intermediary\* as defined under Section 181(6) of the Companies Act) entitled to attend, speak and vote at the Extraordinary General Meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her/its stead. A proxy need not be a member of the Company. Where a member of the Company (other than a relevant Intermediary\*) appoints more than one (1) proxy, the proportion of shares to be represented by each proxy must be stated in the proxy form.
- 2. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary\* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
- 3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy/proxies to vote on its behalf. If the member is a corporation, the instrument appointing a proxy must be executed under common seal or the hand of its duly authorized officer or attorney.
- 4. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 55 Market Street, Level 10, Singapore 048941 not less than forty-eight (48) hours before the time appointed for holding the EGM in order for the proxy to be entitled to attend and vote at the Extraordinary General Meeting.
- 5. A Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for the holding of the EGM in order for the Depositor to be entitled to attend and vote at the Extraordinary General Meeting.

\*A relevant intermediary means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# DELONG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199705215G)

## IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

## Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 2 December 2017.

## PROXY FORM

### IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM.

I/We, \_\_\_\_\_ with NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

being \*a member/members of **Delong Holdings Limited** (the "**Company**"), hereby appoint:

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

\*and/or

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

or failing him/her/them, the Chairman of the Extraordinary General Meeting of the Company (the "**EGM**") as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the EGM to be held at 55 Market Street, #03-01, Singapore 048941 on 18 December 2017 at 9.30 a.m., and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the resolution to be proposed at the EGM as indicated with an "X" in the spaces provided hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion, as \*he/she/they will on any other matter arising at the EGM and at any adjournment thereof.

| ORDINARY RESOLUTIONS |                                         | FOR | AGAINST |
|----------------------|-----------------------------------------|-----|---------|
| 1                    | To approve the Proposed Diversification |     |         |
| 2                    | To approve the Proposed Expansion       |     |         |
| 3                    | To approve the Proposed JV              |     |         |

Note:

- (1) If you wish to exercise all your votes "For" or "Against", please indicate so with an "X" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

Signature(s) of Shareholder(s) /  
Common Seal of Corporate Shareholder

\* Delete as appropriate

All capitalised terms used in this Proxy Form which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Company's Circular to Shareholders dated 2 December 2017.



**Notes:-**

1. *A member of the Company (other than a relevant intermediary\* as defined under Section 181(6) of the Companies Act) entitled to attend, speak and vote at the EGM is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her/its stead at the EGM. A proxy need not be a member of the Company and where there is more than one (1) proxy, the proportion of shares to be represented by each proxy must be stated in this proxy form.*
2. *Where a member appoints two (2) proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the appointment shall be deemed to be in the alternative.*
3. *Pursuant to Section 181(1C) of the Companies Act, a relevant intermediary\* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).*

*\*A relevant intermediary means:*

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;*
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or*
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.*
4. *The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.*
  5. *A corporation which is a member, may authorise by resolution of its directors or other governing body, such person as it thinks fit, to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.*
  6. *The instrument of appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941 not less than 48 hours before the time set for holding the meeting or adjourned meeting (as the case may be).*
  7. *Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.*
  8. *The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such Member is not shown to have shares entered against the name in the Depository Register as at 72 hours before the time appointed for holding the EGM as certified by CDP to the Company.*
  9. *Agent Banks acting on the request of CPF investors who wish to attend the EGM as observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport Number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941, not less than 48 hours before the time fixed for holding the EGM.*