

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 (“**SGX-ST**”) 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 SECTION ENTITLED “RISK FACTORS” OF 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**

**THE PROPOSED ACQUISITION OF 51% EQUITY STAKE IN ANHUI SHOUKUANG DACHANG METAL MATERIAL CO., LTD BY THE COMPANY’S INDIRECT WHOLLY-OWNED SUBSIDIARY, DELONG STEEL LIMITED (THE “PROPOSED ACQUISITION”)**

*Financial Adviser in respect of the Proposed Acquisition*



**STIRLING COLEMAN**

施霖高诚

[www.stirlingcoleman.com](http://www.stirlingcoleman.com)

**STIRLING COLEMAN CAPITAL LIMITED**

(Company Registration Number: 200105040N)

(Incorporated in the Republic of Singapore)

### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	16 December 2017 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	18 December 2017 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the first extraordinary general meeting of the Company to be held at 9.30 a.m on the same day and at the same place)
Place of Extraordinary General Meeting	:	55 Market Street #03-01 Singapore 048941

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## TABLE OF CONTENTS

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	PAGE
<b>DEFINITIONS</b> .....	3
<b>LETTER TO SHAREHOLDERS</b>	
1. <b>INTRODUCTION</b> .....	8
2. <b>THE PROPOSED ACQUISITION</b> .....	8
3. <b>INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS</b> .....	32
4. <b>DIRECTORS' RECOMMENDATION</b> .....	33
5. <b>EXTRAORDINARY GENERAL MEETING</b> .....	33
6. <b>ACTIONS TO BE TAKEN BY SHAREHOLDERS</b> .....	33
7. <b>DIRECTORS' RESPONSIBILITY STATEMENT</b> .....	33
8. <b>FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT</b> .....	34
9. <b>CONSENTS</b> .....	34
10. <b>DOCUMENTS AVAILABLE FOR INSPECTION</b> .....	34
11. <b>ADDITIONAL INFORMATION</b> .....	35
<b>APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY</b> .....	I-1
<b>APPENDIX II – REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016</b> .....	II-1
<b>APPENDIX III – SUMMARY OF VALUATION REPORT DATED 28 JULY 2017</b> .....	III-1
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	N-1
<b>PROXY FORM</b>	

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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:

- “Anhui Dachang”** : Anhui Dachang Mining Group Co., Ltd (安徽大昌矿业集团有限公司)
- “Aoyu Steel”** : Laiyuan County Aoyu Steel Co., Ltd., the Company’s indirect wholly-owned subsidiary
- “Audit and Assessment Procedures”** : The audit and assessment to be conducted on the Target Company in accordance with the applicable PRC laws and approved asset assessment procedures, by a third party authority with the requisite legal qualification to undertake such audit and assessment, as described in Section 2.4.1 of this Circular titled *“Due Diligence and Audit and Assessment on the Target Company”*
- “Best Decade”** : Best Decade Holdings Limited
- “Bidding Exercise”** : The PRC tender process to be conducted by the China Beijing Equity Exchange (北京产权交易所) in respect of the transfer of the Target Stake, as described in Section 2.6.1 of this Circular titled *“Bidding process for the Proposed Acquisition”*
- “Board”** : The board of Directors of the Company for the time being
- “Capacity Reduction Plans”** : 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
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 2 December 2017
- “Commitment Sum”** : The sum of RMB10 million paid by Delong Steel PRC to the Vendor on 10 May 2017 as a form of guarantee that Delong Steel PRC shall participate in the Bidding Exercise in accordance with the terms of the MOU
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore, as amended, modified and/or supplemented from time to time
- “Company”** : Delong Holdings Limited
- “Constitution”** : The constitution of the Company, as amended, modified and/or supplemented from time to time
- “Control”** : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
- “Controlling Shareholder”** : A person who:
- (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
  - (b) in fact exercises Control over the Company

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## DEFINITIONS

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<b>“Definitive Agreement”</b>	:	A definitive share transfer agreement to be entered into between the Vendor and the successful bidder of the Bidding Exercise, in relation to the transfer of the Target Stake
<b>“Delong Steel PRC”</b>	:	Delong Steel Limited
<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
<b>“Enlarged Group”</b>	:	The Group and the Target Company upon the completion of the Proposed Acquisition
<b>“EPC”</b>	:	Engineering, procurement and construction
<b>“EPS”</b>	:	Earnings per Share
<b>“Fanqiao Mine”</b>	:	The iron ore mine located in Fanqiao (安徽省霍邱县范桥铁矿), as described in the sub-section on “ <i>Exploration rights</i> ” set out in Appendix I to this Circular
<b>“Final Bid Price”</b>	:	The final bid price for the Target Stake in the Bidding Exercise
<b>“Financial Adviser”</b>	:	Stirling Coleman Capital Limited
<b>“Formal Invitation Period”</b>	:	Has the meaning ascribed to it in Section 2.6.1 of this Circular titled “ <i>Bidding process for the Proposed Acquisition</i> ”
<b>“FY”</b>	:	Financial year ended or ending 31 December, as the case may be
<b>“FY2014”</b>	:	Financial year ended 31 December 2014
<b>“FY2015”</b>	:	Financial year ended 31 December 2015
<b>“FY2016”</b>	:	Financial year ended 31 December 2016
<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>“Independent Valuer”</b>	:	Beijing Datang Tianjian Assets Appraisal Co. Ltd (北京大唐天健资产评估有限公司). The Independent Valuer is a limited liability company incorporated on 30 December 2005 and its current legal representative is Mr. Zhao Zhengping. The Independent Valuer is mainly engaged in various types of assets assessment, enterprise overall asset evaluation, or other asset evaluation or project evaluation required by the market.
<b>“Indicative Bidding Range”</b>	:	The Company’s indicative bid price range for the purposes of the Bidding Exercise
<b>“Latest Practicable Date”</b>	:	24 November 2017, being the latest practicable date prior to the despatch of this Circular

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## DEFINITIONS

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“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
“Proposed JV”	:	The proposed joint venture between the Group, 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 they shall <i>inter alia</i> invest and undertake the construction of a steel plant at Tsingshan Park with an annual capacity of 3.5 million tonnes and incorporate a joint venture company named PT. Dexin Steel Indonesia for such purpose. Further details of the proposed joint venture are contained in the Company’s circular dated 2 December 2017
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Minimum Bid Price”	:	Pursuant to the process set out in Section 2.6.2 of this Circular titled “ <i>Bid Price</i> ”, the minimum bid price at RMB1,772,840,000 set by the China Beijing Equity Exchange on 16 November 2017
“MOU”	:	The binding memorandum of understanding dated 10 May 2017 entered into between Delong Steel PRC and the Vendor in respect of the Proposed Acquisition
“NTA”	:	Net tangible assets
“PRC”	:	People’s Republic of China
“PRC Counsel”	:	Zhong Xin Law Office (北京市众鑫律师事务所), the PRC legal adviser to the Company in relation to the legal due diligence conducted on the Target Company pursuant to the Proposed Acquisition
“Pre-Disclosure Invitation Period”	:	Has the meaning ascribed to it in Section 2.6.1 of this Circular titled “ <i>Bidding process for the Proposed Acquisition</i> ”
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“SASAC”	:	State-owned Assets Supervision and Administration Commission of the State Council (国务院国有资产监督管理委员会)
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified and/or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	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
“Shares”	:	Ordinary shares in the capital of the Company

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## DEFINITIONS

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“Steel Project”	:	The integrated steel plant to be operated by the Target Company (upon the completion of its construction), and as described in the sub-section on “Steel Project” set out in Appendix I to this Circular
“Substantial Shareholder”	:	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
“Target Company”	:	Anhui Shoukuang Dachang Metal Material Co., Ltd (安徽首矿大昌金属材料有限公司)
“Target Company Due Diligence”	:	The due diligence exercise that was conducted on the Target Company by the Group
“Target Stake”	:	The 51% equity stake in the Target Company held by the Vendor
“Valuation Report”	:	The asset valuation report dated 28 July 2017 issued by the Independent Valuer. An English translation of the summary of the Valuation Report is set out in Appendix III to this Circular for Shareholders’ reference
“Valuer’s Valuation”	:	The value of the Target Stake of approximately RMB1,828,482,396, based on the valuation conducted on the Target Company by the Independent Valuer
“Vendor”	:	Beijing Shougang Mining Investment Co., Ltd. (北京首钢矿业投资有限责任公司)
“Zhouji Mine”	:	The iron ore mine located in Zhouji Town (周集镇), Huoqiu County, Anhui Province, PRC, as described in the sub-section on “Exploration rights” set out in Appendix I to this Circular

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

“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%” 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.

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## DEFINITIONS

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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 Liguo (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,

#### THE PROPOSED ACQUISITION OF 51% EQUITY STAKE IN ANHUI SHOUKUANG DACHANG METAL MATERIAL CO., LTD BY THE COMPANY'S INDIRECT WHOLLY-OWNED SUBSIDIARY, DELONG STEEL LIMITED (THE "PROPOSED ACQUISITION")

#### 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 Acquisition, at the forthcoming EGM to be held on 18 December 2017 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the first extraordinary general meeting of the Company to be held at 9.30 a.m on the same day and at the same place) 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. THE PROPOSED ACQUISITION

##### 2.1 Background

On 10 May 2017, the Company announced that the Company's subsidiary, Delong Steel PRC, had on 10 May 2017 entered into a binding MOU with the Vendor in relation to the proposed acquisition by Delong Steel PRC of 51% of the equity stake in the Target Company from the Vendor.

The Proposed Acquisition 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 Shareholders.

##### 2.2 Rationale for the Proposed Acquisition

###### 2.2.1 Expansion of core business

The Proposed Acquisition presents a good opportunity for the Group to expand its core business, being the manufacture and sale of hot-rolled steel coils, and serve as a new engine of growth for the Company, so as to enhance long-term Shareholders' value.



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## LETTER TO SHAREHOLDERS

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One of the main contributing factors to the Group's proposal to enter into the Proposed Acquisition stems from the steelmaking 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, 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.

As announced by the Company previously on 22 August 2017, the Company had decided to discontinue the operations of its indirect wholly-owned subsidiary, Aoyu Steel, completely in August 2017, following the request received from the local PRC authorities to cease its steel-making operations by September 2017 and the strike by Aoyu Steel's employees on its premises. With the cessation of Aoyu Steel's operations, the Company expects that the Group's steel production capacity in the PRC would be significantly reduced by one-third of its present capacity. The Proposed Acquisition therefore presents a good opportunity for the Group to increase its steel production capacity and also allows the Group to relocate its management staff and workers, who have been rendered redundant since Aoyu Steel had stopped its operations. As at the date of this Circular, all the steel mills in Langfang, Baoding and Zhangjiakou have ceased their operations.

### 2.2.2 Diversification of production risks and products

Currently, the Group's principal steel production facilities (save for the Proposed JV) are all located in the northern area of the PRC, in Hebei Province, where the PRC government has been actively carrying out programs aimed at tackling overcapacity and boosting efficiency of the sector. Industrial pollution also remains a primary concern in the PRC and the ongoing haze issue is also expected to have impact on the steel industry in terms of production and steel transportation.

The Proposed Acquisition will not only enable the Group to own and operate another steel production facility but also one located in a different area in PRC, namely Liu'an City in the Anhui Province, which is located on the southern region of the PRC and is not an affected city under the Capacity Reduction Plans.

The Steel Project, when operational, will be capable of producing steel bars and steel wire rods, which will add to the range of steel products manufactured and sold by the Group.

### 2.2.3 Attractive location of the Steel Project

The Steel Project which is located in Liu'an City, Anhui Province, will be in close proximity to its raw material source as the surrounding areas within Anhui Province are rich in mineral resources such as iron ores.

Currently, the Company is not aware of any other steel manufacturing plant that is operating or in the midst of being constructed, within a 300-500 kilometre radius of the Steel Project. This will allow the Group to supply steel products to nearby construction and other industries requiring steel materials competitively, i.e. lower transportation costs.

### 2.2.4 Recovery of steel prices in 2017

Steel prices had recovered and enjoyed a buoyant first half in 2017 driven by strong infrastructure and property construction spending.

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## LETTER TO SHAREHOLDERS

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While the operating outlook for the PRC steel industry is expected to remain challenging in Northern PRC where the existing steel plants of the Group are located, the Proposed Acquisition is in Southern PRC, where the market environment is more favourable and steel demand outstrips supply. The Target Company is also one of only three new steel projects that the PRC authorities have recently given permission to build new steel manufacturing plants in order to meet the excess demand for steel in Southern PRC.

### 2.2.5 Other reasons

As at 30 September 2017, the Group has cash resources available for use (including excess cash that has been used to acquire short-term financial products and notes receivable) amounting to approximately RMB4.1 billion, which the Group intends to deploy for the purposes of joint ventures, mergers and acquisitions. Accordingly, the Company has embarked on the Proposed JV. Further, the Proposed Acquisition is being considered in light of the potential benefits that it may bring to the Group as a whole. Please refer to Section 2.6.3 for details on the source of funding for the Proposed Acquisition and the Proposed JV.

### 2.3 **Information on the relevant parties**

Information disclosed in this Circular relating to the Vendor and Anhui Dachang were based on information provided by the Vendor following the signing of the MOU, as well as information that were extracted from the National Enterprise Credit Information Publicity System (国家企业信用信息公示系统). Anhui Dachang is the 49% shareholder of the Target Company. The Company is not able to conduct due diligence on Anhui Dachang because Anhui Dachang will not agree to disclose their financial position to the Group or any third party potential bidder, when there is no certainty as regards which party will successfully bid for the Target Stake. None of the Directors or Controlling Shareholders are connected to Anhui Dachang.

Information disclosed in this Circular relating to the Target Company, including without limitation the information set out in Appendix I to this Circular titled “*Information relating to the Target Company*”, were based on information provided by the Vendor following the signing of the MOU, as well as information from the due diligence conducted on the Target Company by the Group (which is set out in further detail in Section 2.5 of this Circular titled “*Target Company Due Diligence*”). **As the Vendor’s 51% equity stake in the Target Company is considered to be a PRC state-owned asset, the Proposed Acquisition is subject to an open tender process conducted by the China Beijing Equity Exchange (北京产权交易所), as detailed below. Due to the nature of this transaction, Shareholders should note that the breadth and depth of information that the Vendor can and has provided to the Group (including its legal advisers and/or other advisers) is limited and may not necessarily be complete.**

#### 2.3.1 Information on the Target Company

The Target Company was incorporated in the PRC on 24 March 2010 and is based in the Huoqiu Economic Development Zone (安徽霍邱经济开发区) in Liu’an City, Anhui Province, PRC. As at the Latest Practicable Date, the Target Company has a registered and paid-in capital of RMB3 billion, and is 51% owned by the Vendor, and 49% owned by Anhui Dachang.

The Target Company was in the midst of constructing the Steel Project at the Anhui Huoqiu Economic Development Zone, which upon completion, was expected to generate (i) an annual iron production capacity of approximately 3.05 million tonnes; and (ii) an annual steel production capacity of approximately 3.09 million tonnes, comprising (a) an annual steel bar production capacity of approximately 1.8 million tonnes; and (b) an annual steel wire rod production capacity of approximately 1.2 million tonnes. The construction of the Steel Project had ceased since 2014 due to insufficient funding. Accordingly, the Target Company has not commenced any business operations since its incorporation as construction of the Steel Project has not completed, and the future financial performance of the Target Company cannot be ascertained at this juncture.

Upon completion of the Proposed Acquisition and construction of the Steel Project, the Target Company shall be principally engaged in the manufacture and sale of steel bars and steel wire rods.

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## LETTER TO SHAREHOLDERS

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To the best of the Directors' knowledge, if Anhui Dachang is unable to contribute its share of the funding, the Group has the ability to provide Anhui Dachang's share of the funds to complete the Steel Project. The Directors also do not foresee any difficulty in bringing in other investors should the need arise as the Target Company is one of only three new steel projects that the PRC authorities have recently given permission to build new steel manufacturing plants in Southern PRC. Further details are set out in Section 2.6.4 of this Circular, titled "*Additional funding requirements of the Target Company to commence operations upon successful bid*".

The net tangible asset value of the Target Company for FY2016 was approximately RMB2.92 billion based on the latest unaudited management accounts of the Target Company.

Further information on the Target Company and the Steel Project are set out in Appendix I to this Circular titled "*Information relating to the Target Company*".

### 2.3.2 Information on the Vendor

The Vendor is a state-owned limited liability company which is lawfully established and validly existing under the laws of the PRC with a registered and paid-in capital of RMB1.364 billion. Shougang Corporation (首钢总公司) owns 86.14% of the equity stake in the Vendor, and the remaining 13.86% of the equity stake is owned by China Shougang International Trade & Engineering Corporation (中国首钢国际贸易工程公司).

The Vendor is principally engaged in the business of investment management, investment consulting, technology development, technology transfer, technical advice, technical training, technical services, sale of mineral products, heavy vehicles, machinery and electrical equipment and import and export of technology.

### 2.3.3 Information on Anhui Dachang

Anhui Dachang is a company incorporated in the PRC with a registered capital of RMB210.8 million and based in the Huoqiu Economic Development Zone in Liu'an City, Anhui Province, PRC. It is principally engaged in the business of mining, mineral processing and sales of iron ore. The shareholders of Anhui Dachang are Ji Shaojie (30.17%), Ji Shaoqing (30.17%), Ji Shaobo (30.17%) and Ji Lichang (9.49%), who are family members to each other, but are independent third parties to the Directors and Controlling Shareholders.

## 2.4 **Salient terms of the MOU**

### 2.4.1 Due Diligence and Audit and Assessment on the Target Company

As the Vendor's 51% equity stake in the Target Company is deemed to be a PRC state-owned asset, the Vendor was required to entrust a legally qualified third party authority with auditing and assessing the Target Company and the Target Stake in accordance with the applicable PRC laws and approved asset assessment procedures. Based on the results of the Audit and Assessment Procedures, the Vendor shall then be allowed to transfer the Target Stake pursuant to the Bidding Exercise at a price not lower than that derived from the results thereof.

Under the MOU, it was agreed that after completion of the Target Company Due Diligence and the Audit and Assessment Procedures, Delong Steel PRC shall proceed to make a bid for the Target Stake at a price not lower than the minimum bid price listed by the Vendor (subject to such listed minimum bid price not being higher than the approved results of the Audit and Assessment Procedures). As the Target Stake is considered state-owned property in the PRC, the Proposed Acquisition is subject to an open tender process and there will be other bidders participating in the Bidding Exercise.

As at the Latest Practicable Date, the Target Company Due Diligence and the Audit and Assessment Procedures have completed, and the results of the Audit and Assessment Procedures have been approved by the SASAC. Further details on the Target Company Due Diligence and Bidding Exercise are set out in Sections 2.5 and 2.6.1 of this Circular, titled "*Target Company Due Diligence*" and "*Bidding process for the Proposed Acquisition*" respectively.

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## LETTER TO SHAREHOLDERS

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### 2.4.2 Payment of RMB10 million

In accordance with the MOU, Delong Steel PRC had, on 10 May 2017, paid a sum of RMB10 million to the Vendor as a form of guarantee that Delong Steel PRC shall participate in the Bidding Exercise in accordance with the terms of the MOU (the “**Commitment Sum**”).

Unless otherwise agreed in the MOU, Delong Steel PRC shall compensate the Vendor for the costs in relation to the Audit and Assessment Procedures and professional legal fees if Delong Steel PRC breaches the terms and conditions of the MOU and does not participate in the Bidding Exercise, or withdraw its participation in the Bidding Exercise while the same is ongoing and terminates the MOU in writing. The Vendor shall then have the right to deduct payable compensation costs from the Commitment Sum and give written notice to Delong Steel PRC to terminate the MOU. The Vendor shall return any remaining amounts of the Commitment Sum to Delong Steel PRC within 7 working days from the date when the Vendor gives the written notice of termination of the MOU.

If Delong Steel PRC participates in the Bidding Exercise but fails to successfully bid for the Target Stake, the Vendor shall return all of the Commitment Sum to Delong Steel PRC within 7 working days from the close of the Bidding Exercise and the MOU will be terminated. If Delong Steel PRC successfully bids for the Target Stake and signs a formal agreement for the transfer of the Target Stake, the Commitment Sum shall be deemed to form part of the cost or performance obligation to be paid or performed by Delong Steel PRC in the purchase of the Target Stake.

The Vendor shall promptly inform Delong Steel PRC in writing and return the full amount of the Commitment Sum to Delong Steel PRC as soon as possible if the MOU terminates due to reasons arising from or in connection with the Vendor.

### 2.4.3 Termination

Amongst others, Delong Steel PRC shall have the right to terminate the MOU in the following circumstances:

- (a) in the event that the minimum bid price listed by the Vendor in the Bidding Exercise is higher than the approved results of the Audit and Assessment Procedures; and
- (b) unless otherwise agreed in the MOU, in the event that the Target Stake is not acquired by Delong Steel PRC due to reasons that are not attributable to Delong Steel PRC.

### 2.4.4 Term

As the Audit and Assessment Procedures have completed, pursuant to the MOU, the terms therein will automatically be extended to the completion of the transfer of the Target Stake, unless any party terminates the MOU in advance in accordance to the terms and conditions of the MOU, or both parties have signed any other specific agreements and terminated the MOU in connection therewith.

### 2.4.5 Definitive Agreement

In the event that Delong Steel PRC makes a successful bid for the Target Stake, the parties shall then sign a definitive share transfer agreement in relation to the transfer of the Target Stake.

## 2.5 **Target Company Due Diligence**

In order to evaluate and assess the Target Company, the Company had engaged a professional law firm to conduct legal due diligence on the Target Company, and had also constituted several teams internally to conduct financial and operational due diligence on the Target Company. Further information on the foregoing is set out below.

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## LETTER TO SHAREHOLDERS

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### 2.5.1 Legal due diligence

Zhong Xin Law Office (北京市众鑫律师事务所) was commissioned by Delong Steel PRC to perform legal due diligence on the Target Company in order to *inter alia* raise any possible legal issues in respect of the Target Company.

Zhong Xin Law Office is a big-scale comprehensive law firm in PRC and is currently under the administration of the Bureau of Justice of Beijing city. It currently has more than 80 practitioners under its employment, including a number of senior lawyers, and these lawyers have diverse qualifications and experience in legal practice.<sup>1</sup>

The legal due diligence exercise had covered the following areas:

- (a) Basic information on the Target Company, including but not limited to, the details of incorporation, the identity of the legal representative, the current shareholding structure and proportion, and the registered business activities;
- (b) Changes to the Target Company since incorporation, including but not limited to changes to the management structure and registered capital of the Target Company;
- (c) Permits, licences and approvals received by the Target Company in relation to the Steel Project;
- (d) Major assets of the Target Company;
- (e) Material contracts which the Target Company had entered into; and
- (f) Material litigation involving the Target Company.

The legal due diligence report prepared by Zhong Xin Law Office had been considered by the Board in, amongst others, assessing the legal risks of the Target Company, appraising the prospects of the Target Company and arriving at the Indicative Bidding Range.

### 2.5.2 Financial due diligence

The Company had formed a team within its finance department to internally assess and conduct financial due diligence on the Target Company. The team comprises 5 members and is spearheaded by Mr. Cheng Daoyong, the Finance Manager of Delong Steel PRC, and Mr. Yao Zhiwei, the Accounts Manager of Delong Steel PRC. Mr. Cheng holds a Bachelor in Finance from the Beijing Institute of Technology and Mr. Yao holds a Bachelor in Accountancy from the Beijing Institute of Technology.

The internal report detailing *inter alia* the results of the financial due diligence exercise had been considered by the Board in, amongst others, appraising the prospects of the Target Company and arriving at the Indicative Bidding Range.

### 2.5.3 Operational due diligence

The Company had also formed another team to internally assess and conduct operational due diligence on the Target Company. The team comprises 5 members, and is led by Mr. Wang Da, the Deputy Operations Manager of Delong Steel PRC, and Mr. Wang Jiewen, the Operations Manager of Delong Steel PRC. Mr. Wang Da holds a Bachelor in Siderology from the North China University of Science and Technology and Mr. Wang Jiewen holds a Bachelor in Metallurgical Engineering from the Hebei University of Science and Technology.

The team had, on multiple occasions, conducted on-site inspection of the Steel Project during the course of the operational due diligence exercise. The internal report detailing *inter alia* the results of the operational due diligence exercise has been considered by the Board in, amongst others, appraising the prospects of the Target Company and arriving at the Indicative Bidding Range.

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<sup>1</sup> Zhong Xin Law Office. (n.d.). Retrieved from [http://www.zhongxinlaw.com/en\\_zx/aboutus.htm](http://www.zhongxinlaw.com/en_zx/aboutus.htm)

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## LETTER TO SHAREHOLDERS

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### 2.6 Other key matters relating to the Proposed Acquisition

The other key matters relating to the Proposed Acquisition are set out below.

#### 2.6.1 Bidding process for the Proposed Acquisition

The Company proposes to procure Delong Steel PRC to acquire the Target Stake through an open tender process to be conducted by the China Beijing Equity Exchange (北京产权交易所) in accordance with the prescribed legal procedures under the applicable PRC laws and regulations. Subject to Delong Steel PRC having been confirmed by the China Beijing Equity Exchange as the successful transferee in the Bidding Exercise, the Vendor and Delong Steel PRC will then enter into a Definitive Agreement and obtain the necessary consents and approvals of the relevant PRC governmental authorities to effect the Proposed Acquisition where required.

A summary of the Bidding Exercise to be conducted by China Beijing Equity Exchange in relation to the Target Stake is as follows:

#### ***Pre-disclosure phase***

- (a) As the transfer of the Target Stake will result in an actual change in control of the Target Company, the Vendor is required to pre-disclose certain relevant information and materials to the China Beijing Equity Exchange within 10 working days after the approval of the proposed transfer of the Target Stake is obtained, to enable the China Beijing Equity Exchange to assess and examine such pre-disclosure information and materials.
- (b) An announcement relating to the pre-disclosure information will be released publicly if, based on its examination, the China Beijing Equity Exchange is satisfied that the pre-disclosure information and materials furnished by the Vendor fulfill the relevant requirements. Such announcement will be accessible on the China Beijing Equity Exchange's website for no less than 20 working days from the day it is first posted on the website (the "**Pre-Disclosure Invitation Period**"). Further, such announcement will contain certain information, including but not limited to:
  - (i) basic information on the Target Company;
  - (ii) the existing shareholding structure of the Target Company;
  - (iii) the approval status of the transfer of the Target Stake;
  - (iv) the key financial information on the Target Company derived from the Target Company's audited accounts for the most recently completed financial year, as well as the latest financial statements for the current financial year;
  - (v) if applicable, a list of the qualifying conditions and requirements required of the prospective transferee(s); and
  - (vi) any other matters which needs to be disclosed.
- (c) During the Pre-Disclosure Invitation Period, the Vendor will accept and respond to any interested purchaser's (not just Delong Steel PRC) queries. In addition, through the China Beijing Equity Exchange, interested purchasers may also review the relevant materials related to the contents of the announcement. Interested purchasers who have the initial intention to participate in the subsequent process may then register with the China Beijing Equity Exchange.
- (d) Within 5 working days after the expiry of the Pre-Disclosure Invitation Period, the China Beijing Equity Exchange will furnish the Vendor with a preliminary list of the interested purchasers who have registered with them.

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## LETTER TO SHAREHOLDERS

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- (e) For the avoidance of doubt, the aforementioned procedures set out in (a) to (d) above have to be completed before the process enters into the formal disclosure phase as the transfer of the Target Stake will result in an actual change in control of the Target Company.

### ***Formal disclosure phase***

- (f) Similar to the procedures during the pre-disclosure phase, the China Beijing Equity Exchange will first assess and examine the relevant information and materials provided by the Vendor (through its broker) in the formal disclosure phase.
- (g) Upon the China Beijing Equity Exchange being satisfied with its examination, an announcement will then be released publicly, which will be accessible on the China Beijing Equity Exchange's website for no less than 20 working days from the day it is first posted on the website (the "**Formal Invitation Period**"). Such announcement will contain certain information, including but not limited to:
- (i) all the information that was disclosed in the public announcement released during the pre-disclosure phase;
  - (ii) the minimum bid price and the conditions of the transaction;
  - (iii) whether the existing management of the Target Company will continue to stay as management after the transfer, and whether the existing shareholder (being Anhui Dachang) has waived its right of first refusal in respect of the Target Stake;
  - (iv) the mode of bidding and the related judgment criteria; and
  - (v) any other matters which needs to be disclosed.

The Vendor may include in such announcement the requirement to pay a bidding deposit and the mode of such payment.

While the China Beijing Equity Exchange will determine when the Formal Invitation Period will expire based on the circumstances then subsisting, it is usually the case that such period will not exceed the time period of 20 working days beginning from the day on which the announcement is publicly released.

- (h) During the Formal Invitation Period, any interested purchaser will, through its broker, submit its application for the purchase of the Target Stake and such information, documents and/or materials as required, for the China Beijing Equity Exchange's holistic review and examination. The China Beijing Equity Exchange will register the information of all interested purchasers who wish to purchase the Transfer Stake.
- (i) The interested purchasers will be required to pay the bidding deposit within the time period stipulated in the announcement, failing which the relevant interested purchaser will be deemed to have withdrawn its right to participate in the subsequent tender process.
- (j) Within 5 working days after the expiry of the Formal Invitation Period, the China Beijing Equity Exchange will furnish the Vendor with the full list of the interested purchasers who have registered with them during the Formal Invitation Period, together with their written opinion on the suitability of each interested purchaser.
- (k) Within 5 working days after being provided with the information set out in (i) above, the Vendor will be required to formally respond to the China Beijing Equity Exchange on its own opinion on the suitability of the interested purchasers. If the Vendor does not formally respond by the aforementioned timeline, it will be deemed to have accepted the China Beijing Equity Exchange's opinion. In the event that the Vendor and the China Beijing Equity Exchange differ in their respective opinions, the committee which initially approved the transfer of the Target Stake will determine the suitability of the interested purchasers.

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## LETTER TO SHAREHOLDERS

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- (l) After discussions with the Vendor, the China Beijing Equity Exchange will then formally notify the interested purchasers of the results of the suitability assessment.

### ***Tender process***

- (m) At this stage, the China Beijing Equity Exchange will conduct the tender process in accordance with the mode of bidding stated in the announcement released in the formal disclosure phase, and the rules and regulations that are applicable to such mode of bidding.
- (n) A successful bidder will be determined at the end of the tender process.

A summary of the process that will take place after the conclusion of the Bidding Exercise is as follows:

- (o) The Vendor and the successful bidder will promptly enter into a Definitive Agreement in accordance with the announcement released during the formal disclosure phase. For the avoidance of doubt, the parties will not be able to terminate or amend the terms of the Definitive Agreement at this juncture.
- (p) Ideally, within 5 working days after the Definitive Agreement comes into effect, the successful bidder should pay the full amount of the Final Bid Price to a designated account of China Beijing Equity Exchange. However, as this may pose difficulties to the successful bidder, the successful bidder can also choose to pay in instalments as follows:
- (i) not less than 30% of the Final Bid Price within 5 working days after the Definitive Agreement comes into effect; and
  - (ii) the balance of the Final Bid Price (together with applicable interest) within a year from the day the Definitive Agreement comes into effect.

The successful bidder will be required to provide a legally enforceable guarantee to the Vendor in respect of payment of the balance of the Final Bid Price.

- (q) After the China Beijing Equity Exchange has issued the certificate of transfer, a public announcement will be made on *inter alia* the valuation of the Target Company and the Final Bid Price.

Purely for illustration purposes only, the indicative timeline for the Bidding Exercise is likely as follows:

23 August 2017	:	Start of the Pre-Disclosure Invitation Period
Mid-September 2017	:	Submission of the results of the Audit and Assessment Procedures to the SASAC for approval. The SASAC will need at least 20 working days to review the relevant documents <sup>2</sup>
19 September 2017	:	Conclusion of the Pre-Disclosure Invitation Period <sup>2</sup>

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<sup>2</sup> As at the date of this Circular, the SASAC has approved the results of the Audit Assessment Procedures and the Pre-Disclosure Invitation Period has been concluded.



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## LETTER TO SHAREHOLDERS

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Mid-November 2017  
(assuming that the SASAC approves of the results of the Audit and Assessment Procedures within 20 working days) : (a) Start of the Formal Invitation Period (i.e. when *inter alia* the minimum bid price would be announced)  
(b) Subject to the approval of the SASAC being obtained, the approved results of the Audit and Assessment Procedures would be publicly released<sup>3</sup>

Mid-December 2017  
("X") : Conclusion of the Formal Invitation Period / Formal notification to the interested purchaser(s) which are qualified to participate in the subsequent tender process<sup>4</sup>

X + 3 working days : Payment of the bidding deposit of RMB531.85 million<sup>5</sup>

Assuming that there are more than 1 interested purchasers that are qualified for the subsequent tender process,

January 2018 : The open tender process

Mid- / End-January 2018  
("Y") : Announcement on the winning bidder and bid released

Assuming that Delong Steel PRC is the successful bidder,

End-January 2018 /  
Early-February 2018  
(Y + 5 working days) : Execution of definitive share transfer agreement

Y + 10 working days : Payment of the remaining portion of the Final Bid Price (after deduction for the Commitment Sum)

Mid-February 2018 : Issue of the certificate of transfer of the Target Stake

### 2.6.2 Bid price

Pursuant to the process set out in Section 2.6.1 of this Circular titled "*Bidding process for the Proposed Acquisition*", the China Beijing Equity Exchange has, on 16 November 2017, set the minimum bid price at RMB1,772,840,000 (the "**Minimum Bid Price**"). Notwithstanding the foregoing, the Group had commissioned the Independent Valuer to value the Target Company and the findings of the valuation is set out in the Valuation Report. An English translation of the summary of the Valuation Report is appended as Appendix III to this Circular. Based on the Valuation Report dated 28 July 2017, the Target Company is valued at RMB3,585,259,600 as at 30 April 2017. Accordingly, the value of the Target Stake is approximately RMB1,828,482,396. The basis of the valuation is the asset-based approach, which utilises the balance sheet of the appraised enterprise on the appraisal base date to conduct a reasonable appraisal of the fair value of each of the various assets and liabilities, so as to determine the net value of the appraised enterprise.

<sup>3</sup> As at the date of this Circular, the Formal Invitation Period has commenced with effect from 17 November 2017, and will conclude in 20 working days, i.e. 14 December 2017.

<sup>4</sup> The Company currently intends to submit its bid for the Target Stake on or before 14 December 2017, being the deadline for the Formal Invitation Period. Notwithstanding the foregoing, the Company will only make the necessary payment of the bidding deposit after Shareholders' approval has been obtained at the EGM.

<sup>5</sup> In the event that Delong Steel PRC is not the successful bidder, the bidding deposit shall be refunded in full without interest. Notwithstanding the foregoing, Delong Steel PRC shall not be refunded the bidding deposit if: (1) Delong Steel PRC had withdrawn its application at any time after payment of the bidding deposit, (2) in the situation where there is more than 1 interested purchasers qualified for the subsequent tender process (including Delong Steel PRC), Delong Steel PRC had (a) failed to attend the tender process or (b) failed to participate in the tender process despite its attendance in the same, (3) Delong Steel PRC had failed to sign the definitive share transfer agreement and/or made the required payments within the stipulated period, and/or (4) Delong Steel PRC had breached the relevant laws or regulations in relation to the bidding deposit.

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## LETTER TO SHAREHOLDERS

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Below is a summary of the asset valuation results as broken down into the main asset classes:

Asset Classes	Book Value	RMB'000
		Valuation
Cash and Cash Equivalents	394,754.30	394,754.30
Other receivables	506,031.60	506,031.60
Steel Project (net of liabilities)	838,538.70	1,078,712.90
Land use right	254,538.40	363,026.60
Iron ore mine exploratory licence	687,918.90	1,170,137.80
Intangible assets	6.60	4,075.20
Deferred tax assets	68,521.30	68,521.30
<b>Total Assets</b>	<b>2,750,309.80</b>	<b>3,585,259.70</b>

**Shareholders should note that the independent valuation commissioned by the Group is for the Group's reference purposes only and is not authoritative in determining the value of the Target Company as the Valuation Report has not been reviewed nor endorsed by the SASAC. Accordingly, the Valuer's Valuation has no bearing on the minimum bid price listed in the Bidding Exercise (which is based on the results of the Audit and Assessment Procedures approved by the SASAC).**

The Company's Indicative Bidding Range for the purposes of the Bidding Exercise is between the Minimum Bid Price, which represents approximately 97% of the Valuer's Valuation, and approximately RMB2,194,179,000, which represents approximately 120% of the Valuer's Valuation. The management of Delong Steel PRC and/or the Company will use its best endeavours to act in the best interests of the Group, the Company and its Shareholders, to bid for the Target Stake within the Indicative Bidding Range.

The other considerations that the Board had taken into account in determining the Indicative Bidding Range are as follows, amongst others:

- (1) the actual financial condition of the Target Company;
- (2) the future prospects of the Target Company;
- (3) the results of the legal due diligence conducted on the Target Company by the PRC Counsel, Zhong Xin Law Office, in particular the type, nature and quantity of legal issues raised;
- (4) the results of the operational and financial due diligence conducted on the Target Company; and
- (5) several key factors that would affect the final bidding result, including but not limited to the dynamic nature of the open bidding process and potentially fierce competition that may arise, as well as the value and synergies of the Target Company's business to the Group as a whole.

### 2.6.3 Source of funds for the Proposed Acquisition and Proposed JV

The Group's bid price (to be submitted) at the Bidding Exercise will be financed from the Group's internal cash resources and/or external bank borrowings.

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## LETTER TO SHAREHOLDERS

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As at 30 September 2017, the Group has cash resources available for use (including excess cash that has been used to acquire short-term financial products and notes receivable) amounting to approximately RMB4.1 billion. After setting aside the cash required for the Proposed JV of approximately RMB0.8 billion, the Group still has approximately RMB3.3 billion of cash resources available for deployment to fund the Proposed Acquisition and subsequent funding requirements of the Target Company.

As at 30 September 2017, the Group has available bank credit facilities amounting to RMB1.4 billion which are not yet utilised. This amount does not include any undrawn bank credit limits under Aoyu Steel. These bank credit facilities will be available for draw down for the purpose of financing the Proposed Acquisition and/or the additional funding requirement for the Target Company in relation to the Steel Project, if required.

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 shareholders of the joint venture company 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 Singapore Projects Pte. Ltd. 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.

### 2.6.4 Additional funding requirements of the Target Company to commence operations upon successful bid

The Company expects that the Target Company will require approximately RMB6.9 billion in order to complete the construction and equipment installation of the Steel Project and to commence operations.

The following factors were taken into consideration in arriving at the estimated figure of RMB6.9 billion:

- (a) the aggregate value of existing contracts with contractors and equipment suppliers for the construction and equipment installation respectively of the Steel Project, being approximately RMB6.47 billion;
- (b) miscellaneous expenses, including but not limited to expenses in relation to the conduct of feasibility studies, procurement of professional technical advice, prospecting expenses in relation to public infrastructure around the Steel Project such as roads, and power and water supply engineering, being approximately RMB260.91 million; and
- (c) the exploration licence fees in respect of the Fanqiao Mine and Zhouji Mine as well as the compensation fees applicable thereto, being approximately RMB163.93 million.

The estimated amount required of RMB6.9 billion will be financed by the Target Company through one or more of the following methods:

- (a) project financing, for example, EPC financing and bank project financing facilities;
- (b) capital contribution from shareholders;
- (c) external bank borrowings;

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## LETTER TO SHAREHOLDERS

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- (d) further share issuances; and/or
- (e) internal resources, if available.

As at the date of this Circular, to the best knowledge of the Directors, the Target Company had entered into EPC contracts with the existing contractors of the Steel Project, and the effectiveness of such contracts are subject to and conditional upon the Group successfully acquiring the Target Stake.

Based on these EPC contracts, the EPC contractors will provide EPC financing of up to 50% of the total construction costs amounting to approximately RMB3.5 billion at the outset, and such amounts will only be repayable by the Target Company within 2 years after the Steel Project commence operations. The Target Company intends to repay such EPC financing when they fall due, using cash generated from operations and proceeds from long-term project financing facilities.

Assuming that the remaining amount required of approximately RMB3.5 billion is to be fully funded by the shareholders, the Company expects Anhui Dachang and the Group to contribute to such amount in proportion to their shareholdings in the Target Company. Accordingly, the Group's contribution will be approximately RMB1.75 billion (based on the Group's pro-rated contribution as a 51% shareholder of the Target Company following completion of the Proposed Acquisition). Based on the cash resources available to the Group shown under Section 2.6.3 titled "*Source of funds for the Proposed Acquisition and Proposed JV*" above, the Group should have sufficient cash resources to finance its share of the additional funding requirements of the Target Company. Further, in the event that bank financing is employed and the lending bank(s) require corporate guarantees to be given as security for the credit facilities, it is expected that Delong Steel PRC and Anhui Dachang will provide such corporate guarantees in accordance with their shareholding proportion.

Should Anhui Dachang be unable to contribute their portion of the equity contribution (i.e. up to RMB1.75 billion), this additional portion may be offered to other investors (including the Group) and Anhui Dachang's shareholdings in the Target Company will be diluted accordingly. Please refer to Section 2.6.3 titled "*Source of funds for the Proposed Acquisition and Proposed JV*" for further details on the cash resources and banking facilities available to the Group to finance Anhui Dachang's portion of the equity contribution, if necessary.

Based on the unaudited management accounts of the Target Company for the financial year ended 31 December 2016, the Target Company has cash and cash equivalents of approximately RMB412.8 million as at 31 December 2016. Accordingly, in the event that the Group successfully acquires the Target Stake, it is intended that the internal resources of the Target Company will be applied towards *inter alia* the resumption of construction of the Steel Project. Please refer to Appendix I to this Circular for a summary of the financial information on the Target Company.

Barring any unforeseen circumstances, the construction and installation of the equipment for the Steel Project is expected to take approximately 8 months to complete upon the resumption of construction.

### 2.6.5 Management team

The Group had set up a team of suitably qualified personnel with a diversity of experience ranging from finance to steel manufacturing to assess and evaluate the Proposed Acquisition, as well as manage all matters arising from or in connection with the Proposed Acquisition. If the Target Stake is transferred to the Group, it is envisaged that there will be a management reshuffle in the Target Company as the Group will be appointing several key personnel, whether from the aforementioned team or otherwise, to lead the management of the Target Company, namely Mr. Wu Yujie, Mr. Kan Yonghai and Ms. Lan Jihong.

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## LETTER TO SHAREHOLDERS

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### ***Information on Mr. Wu***

Mr. Wu is an Executive Director of the Company and also the General Manager of Aoyu Steel and was responsible for overseeing the operations of Aoyu Steel. From 2011 to 2014, Mr. Wu was General Manager of Xingtai Delong Machinery and Mill Roll Co., Ltd. Between 2007 to 2011, Mr. Wu was General Manager of Tangshan Hengan Enterprises Co., Ltd. Between 2004 and 2006, Mr. Wu was administration manager of Delong Steel PRC. Prior to that, Mr. Wu was a deputy general manager in charge of administration with Xingtai Delong Iron & Steel Co., Ltd from 2000 to 2004, and the head of the finance department of Tangshan Liguu Enterprises Group Co., Ltd from 1998 to 2000.

Mr. Wu holds a diploma in economic management from the Hebei Economic Management College, PRC.

### ***Information on Mr. Kan***

Mr. Kan had been working for the Group since May 2012. In particular, Mr. Kan was promoted to deputy general manager in February 2017 and is in charge of the following areas of operation (amongst others): production operations, engineering and technical enhancement, mergers and acquisitions, business expansion, safety and environmental protection. From March 2007 to May 2012, Mr. Kan was the General Manager in Cangzhou Railway Equipment Materials Co., Ltd. (纵横集团沧州中铁装备材料有限公司) and had managed the construction, operations and production line of a 6 million tonne steel plant for the company. From March 2003 to March 2007, Mr. Kan had worked for Handan Crossbar Steel Co., Ltd. (邯郸纵横钢铁有限公司) where he had managed the construction, operations and production line of a 2.6 million tonne steel plant for the company. He had assumed the position of deputy general manager and subsequently, general manager, when he worked for Handan Crossbar Steel Co., Ltd. (邯郸纵横钢铁有限公司). From April 1999 to February 2003, Mr. Kan was a rolling mill manager at Tangshan Jianlong Industrial Co., Ltd (唐山建龙实业有限公司). From April 1994 to April 1999, Mr. Kan had worked in Tianjin steel rolling five factory (天津市轧钢五厂).

Mr. Kan graduated from Tianjian University with a bachelor's degree in automation studies in 1986. He obtained a master's degree in automation studies from the University Of Science and Technology Beijing in 1994.

### ***Information on Ms. Lan***

Ms. Lan Jihong is the Chief Financial Officer of the Company. She joined the Group in 2005 and is responsible for all of its financial and accounting matters. Prior to that, Ms. Lan was a Finance Manager of BHA Aero Composite Parts Co., Ltd (China) between March 2003 and June 2005. From September 1999 to March 2003, Ms. Lan was a Financial Controller of Magnequench (Tianjin) Co., Ltd (China). Between August 1996 and September 1999, she was an assistant Finance Manager with Fourth Shift Asia Computer Co., Ltd (China). From August 1991 to March 1996, Ms. Lan was an Accountant at Tianjin Automobile Corporation Co., Ltd (China).

Ms. Lan received a Bachelor of Accountancy from the Tianjin Finance & Economic University, PRC in 1991. She had obtained a master's degree in Management from the Nankai University, PRC in 2005, and an Executive Master of Business Administration degree from Peking University, PRC in 2011.

In addition, as set out in Section 2.2 of this Circular titled "*Rationale for the Proposed Acquisition*", the Group also intends to relocate the existing management staff and workers of Aoyu Steel to the Target Company once operations commence.

The Group will also evaluate the manpower and expertise requirements of the Target Company on a continuing basis, and may employ suitably qualified employees and experienced professionals whenever required to manage the Target Company's business.

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## LETTER TO SHAREHOLDERS

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### 2.6.6 Potential collaboration with Anhui Dachang

From the Group's perspective, it is envisaged that Anhui Dachang will be able to provide the following forms of assistance in the potential collaboration between the Group and Anhui Dachang in managing the Target Company (if the Group successfully acquires the Target Stake):

- (a) as Anhui Dachang has been operating in Liu'an City for many years and is familiar with the local conditions, they will be of great assistance in the correspondences with the local authorities in relation to the outstanding issues regarding, amongst others, the approvals for the Steel Project and the land use permits; and
- (b) as Anhui Dachang is principally engaged in the business of mining, mineral processing and sales of iron ore, they will be able to provide the necessary resources (including but not limited to iron ore and dolomite) for the production process when the Target Company commences operations.

Further, as the Group has been in the business of steel production for many years, it is expected that the Group will be able to provide the necessary management personnel, manpower and technical expertise in managing the Target Company with Anhui Dachang.

### 2.6.7 Further information on the Exploration Rights owned by the Target Company

As mentioned in the sub-section on "*Exploration rights*" set out in Appendix I to this Circular, the Target Company had merely entered into agreements with 2 separate parties in relation to the transfer of the exploration rights to the Fanqiao Mine and Zhouji Mine respectively to the Target Company, and no development of the mines has taken place. There are no current plans for the development of the mines.

## 2.7 **Risk factors associated with the Proposed Acquisition**

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 Acquisition 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 Acquisition.

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 Enlarged Group may not be able to secure sufficient funding for the costs and expenses required by the Target Company to commence operations***

As set out in Section 2.6.4 of this Circular titled "*Additional funding requirements of the Target Company to commence operations upon successful bid*", the Enlarged Group will likely finance the future funding requirements of the Target Company through a combination of methods, including external financing such as bank borrowings and project financing.

Also, as set out in this same Section 2.6.4 of this Circular, as the Group did not perform any due diligence with regards to Anhui Dachang, should Anhui Dachang be unable to contribute its portion of the equity contribution (i.e. up to RMB1.75 billion), the Group may have to provide for Anhui Dachang's share of the funds to complete the Steel Project through its internal sources of funds and external financing.

Should the Enlarged Group be unable to secure sufficient funding, through internally generated cash flows and/or external financing, to complete the construction of the Steel Project, the construction of the Steel Project may be delayed and as a result the Target Company is not able to commence operations, the Enlarged Group's financial performance and operating cash flows may be adversely affected.

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## LETTER TO SHAREHOLDERS

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***The Target Company is required to obtain, maintain and/or renew certain licences, permits and/or approvals to conduct its business and operations***

The Target Company requires various licences, permits and/or approvals from the relevant PRC governmental authorities and agencies to conduct its business and operations. These licences, permits and/or approvals include general corporate, manpower, environmental and other licences, permits and/or approvals. The Target Company must renew its licences, permits and/or approvals as they expire, as well as obtain new licences, permits and/or approvals when required. There is no assurance or guarantee that the relevant PRC governmental authorities will issue or renew the licences, permits and/or approvals that the Target Company requires or will not revoke its existing licences, permits and/or approvals for whatever reason or within the timeframe the Target Company anticipates or at all. A failure to obtain or renew, or a loss of, any significant licence, permit and/or approval that the Target Company requires to conduct its business and operations could have a material adverse effect on its business, financial performance, financial condition, results of operations and prospects.

Please refer to the section on “*Permits, approvals and registrations*” and the sub-section on “*Land use rights*” set out in Appendix I to this Circular for further information. In particular, in relation to the licences, permits and/or approvals to be obtained or which have expired, while an application and/or application to seek extension/ renewal of validity will be put forth if the Group successfully acquires the Target Stake, there is no assurance or guarantee that such application will be successful.

As disclosed in Appendix I to this Circular, the PRC Counsel, Zhong Xin Law Office, has advised that with respect to the validity of the permits, licences, and approvals, as the relevant requirements and procedures relating to the commencement of the construction have been duly complied with, the Steel Project as a whole does not have the risk of being discontinued. However, the PRC Counsel had also in its legal due diligence report, advised the Group that as the Target Company had ceased construction activities since 2014, some of the permits, licences and/or approvals obtained have expired or certain conditions in some of the permits, licences and/or approvals obtained had not been fulfilled, and therefore upon successful bid of the Target Company, the Group should apply to the relevant government authorities to seek confirmation on the validity or extension/renewal of such permits, licences and/or approvals.

Based on the aforementioned advice of the PRC Counsel, the Company had conducted its own assessment on the likelihood of obtaining the necessary permits, licences and/or approvals or extension/ renewal of the same including (1) seeking representations from the Target Company on its discussions with the relevant governmental authorities with regard to them using their best endeavours to assist the Target Company to obtain the necessary permits, licences and/or approvals, or to extend or renew the validity of such permits, licences and/or approvals, and (2) communicating directly with the People’s Government of Liu’an on numerous occasions in relation to the same matter.

***The Target Company’s land use rights may be forfeited by the PRC Government if the Target Company fails to comply with the terms of the land grant contracts***

Under PRC laws, if a developer fails to comply with or develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the schedule for commencement and completion of the development of the land), the relevant government authority may issue a warning to or impose a penalty on the developer or forfeit the land use rights granted to the developer. There can be no assurance that circumstances leading to a possible breach of terms of the land grant contract, for example, a delay in the payment of the land grant fees or delay in the commencement of the development of the land from the stipulated date of commencement in the land grant contract, will not arise or forfeiture action will not be taken by the relevant authorities in the future. Therefore, if the Target Company is affected by circumstances which would lead to a breach of the terms of the land grant contract and lead to the Target Company’s land being forfeited by the PRC Government, the Target Company’s business and prospects will be adversely affected.

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## LETTER TO SHAREHOLDERS

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As disclosed in the sub-section on “*Land use rights*” set out in Appendix I to this Circular, the terms of the 7 land grant contracts that the Target Company had entered into state that, amongst others, if the Target Company fails to commence or complete construction in accordance with the dates stipulated therein, or does not seek extension of the relevant dates, it shall be liable to pay liquidated damages amounting to 1/1000 of the consideration price for each day of delay, currently estimated to be approximately RMB367,867,440 (as at 24 November 2017). Accordingly, as construction of the Steel Project has stalled since 2014 and the Target Company had not sought any consent for extension of time, there is no assurance or guarantee that the relevant governmental authorities would not enforce the relevant terms in the land grant contracts and/or impose penalties or other consequences (including but not limited to revoking the land use permits that have been issued, withholding land use permits for the land use rights granted, and revoking the land use rights already granted) in respect of the 7 land parcels.

***The Target Company may not be able to obtain the land use rights for the land which are outside the designated land parcels for which it has land use rights over***

As disclosed in the sub-section on “*Land use rights*” set out in Appendix I to this Circular, the Target Company is currently occupying about 1 Mu of land outside the designated land parcels which it has land use rights over. There is no assurance or guarantee that the relevant PRC governmental authorities will grant the land use rights over such land to the Target Company. If the Target Company does not obtain the land use rights over such land, the Target Company may be exposed to various risks such as possible ejection, which could adversely affect the Target Company’s business and prospects.

Further, the office building which the Target Company is currently using, as well as the land use rights over the land on which the building is situated on, are currently owned by Anhui Dachang, and not the Target Company. In addition, the land use rights over several land parcels within the Target Company’s designated land area belong to Anhui Dachang as well. While Anhui Dachang had verbally agreed to transfer the relevant land use rights and property rights to the Target Company in due course, there is no assurance or guarantee that Anhui Dachang will complete the transfer or transfer such land use rights and property rights to the Target Company at an acceptable consideration.

***The Target Company may face claims from and disputes with third parties that may result in adverse outcomes***

The Target Company may have disputes with third parties (including without limitation contractors (including contractors who may have successfully tendered for the project but with whom the Target Company has not entered into definitive contracts) and/or suppliers) which may not be resolved amicably. In such event, these third parties may make corresponding claims against the Target Company. In the event that such claims are successfully made against the Target Company, it may have to pay damages and/or be subject to legal or arbitration proceedings, which may result in an adverse impact on its profitability, financial performance and corporate reputation. This may in turn adversely affect the business, financial condition and prospects of the Enlarged Group.

Save as disclosed in the section on “*Material litigation*” set out in Appendix I to this Circular, to the best of the Directors’ knowledge, the Target Company is not, as at the Latest Practicable Date, engaged in any legal or arbitration proceedings (either as plaintiff or defendant) which may have a material effect on the Target Company’s financial position or profitability. Further, save as disclosed in the sub-section on “*Steel Project*” and the section on “*Material contracts*” set out in Appendix I to this Circular, to the best knowledge of the Directors, the Target Company has not, as at the Latest Practicable Date, entered into any other contracts which may potentially give rise to a claim that may have a material effect on the Target Company’s financial position or prospects.



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## LETTER TO SHAREHOLDERS

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***The Enlarged Group may be exposed to a range of construction risks relating to the construction of the Steel Project***

The time and costs required to complete the construction of the Steel Project may be subject to extensions and increases due to many factors, among others, shortages of or increase in prices of construction materials, performance risks, change in market conditions, difficulties in obtaining relevant permits or certifications from the relevant authorities (if required) and other unforeseeable circumstances.

Any of such factors may lead to delays in or prevent the completion of the construction of the Steel Project and result in costs significantly exceeding those budgeted for which the Enlarged Group may not be adequately compensated for by way of insurance or contractual indemnities. In such an event, the Enlarged Group's financial performance may be materially and adversely affected.

***The Target Company may be locked into contracts with terms that do not reflect present conditions***

As advised by PRC Counsel, Zhong Xin Law Office, as the construction of the Steel Project has stalled for several years, there could have been changes in circumstances since the related contracts were first entered into (for example, change in market price of raw materials). However, if the terms of such contracts are substantively altered to reflect present conditions, there is a risk of infringing applicable laws relating to the initial bidding of the contractors for the construction contract, which could result in such contracts becoming void and/or attract penalty charges. Accordingly, if the Target Company is locked into contracts with terms that are less favourable than present conditions or circumstances, the financial position of the Target Company may be materially affected.

***The Target Company may not have valid exploration rights to the Fanqiao Mine and Zhouji Mine in order to conduct its exploration activities***

The Target Company had entered into agreements with 2 separate parties in relation to the transfer of the exploration rights to the Fanqiao Mine and Zhouji Mine respectively to the Target Company. Further details on the foregoing is disclosed in the sub-section on "Exploration rights" set out in Appendix I to this Circular.

The Company had been advised by PRC Counsel, Zhong Xin Law Office, that the exploration rights to the Fanqiao Mine and Zhouji Mine had not been obtained through proper legal procedures as the transactions were undervalued. Accordingly, the exploration permit that was already obtained (but which had expired) in respect of the Fanqiao Mine may be revoked and the signed contracts of transfer (relating to the transfer of the exploration right to the Fanqiao Mine and Zhouji Mine respectively to the Target Company) may become void. There is no assurance or guarantee that the Target Company will be able to legalise these transactions and the prospects of the Target Company may be materially affected in such scenario.

***The Target Company is required to obtain, maintain and/or renew certain licences, permits and/or approvals to conduct its exploration activities***

Assuming that the Target Company has valid exploration rights to the Fanqiao Mine and the Zhouji Mine, the Target Company still requires various licences, permits and/or approvals from the relevant PRC governmental authorities and agencies to conduct its exploration activities on these iron ore mines. Further details on the foregoing is disclosed in the sub-section on "Exploration rights" set out in Appendix I to this Circular.

While an application to apply for and/or seek renewal of validity of the exploration permits in respect of the 2 iron ore mines and/or all necessary licences, permits and/or approvals relating to exploration and/or exploration activities will be put forth in due course if the Group successfully acquires the Target Stake, there can be no assurance that the Target Company will be able to obtain and/or renew such licences, permits and/or approvals in a timely manner or at all. Failure to do so could have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

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## LETTER TO SHAREHOLDERS

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***The Target Company may be susceptible to exploration risks in relation to the preliminary exploration work intended to be conducted on the Fanqiao Mine and Zhouji Mine, and may incur additional exploration costs in the event that such preliminary exploration work does not yield any meaningful results***

Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. The Target Company's preliminary exploration activities (which would only be undertaken if the Target Company successfully obtains and/or renews the required exploration permits, licences and/or approvals as set out in the sub-section on "*Exploration rights*" set out in Appendix I to this Circular) are subject to all the hazards and risks normally encountered in the exploration of iron ore deposits, including climatic conditions, hazards of operating vehicles and plant, risks associated with operating in remote areas and other similar considerations. Conclusions drawn during such preliminary exploration work are subject to the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation of geological, geochemical, geophysical, and other data. There is no guarantee that the time and money spent on conducting preliminary exploration work on the iron ore mines will result in any tangible or meaningful results justifying the Target Company's further exploration, development and exploitation of the iron ore mines. The Enlarged Group may need to incur additional costs and expenses to further explore, develop and exploit the iron ore mines. Approval will be sought from Shareholders should the Enlarged Group decide to pursue mining activities in respect of these mines.

***Uncertain changes in the PRC governmental rules and policies will make it difficult for the Enlarged Group to predict and have an impact on the Enlarged Group's business***

From time to time, changes in the rules and policies or the implementation of PRC government rules and policies (including without limitation the PRC government measures highlighted under Section 2.2 of this Circular titled "*Rationale for the Proposed Acquisition*") may have an impact on the Enlarged Group's assets and business, or may require the Enlarged Group to obtain additional approvals and licences for the conduct of its operations in PRC. In such event, the Enlarged Group may need to incur additional expenses in order to accommodate such changes or to comply with such requirements. This will in turn affect the Enlarged Group's financial performance as the business cost will increase. Furthermore, as such changes in PRC government rules and policies are uncertain and difficult to predict, in the event that the Enlarged Group is not able to respond on a timely and effective basis, its operations and business as well as its overall financial performance will be affected.

***The Target Company has no prior track record and operating history***

As the Target Company does not have any operating history in carrying out the business of manufacture and sale of steel bars and steel wire rods, there is no assurance that the business of the Target Company proposed to be conducted (after construction of the Steel Project is completed) will be commercially successful and that the Enlarged Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from such business. Further, while the Group has experience in carrying out the steel business in the Hebei Province (since the Group has 2 production facilities, Delong Steel PRC and Aoyu Steel (which has ceased operations), both of which are located in the Hebei Province), it has no proven track record in conducting the same in Anhui Province, which is located in a different region of PRC from Hebei Province.

If the Enlarged Group does not derive sufficient revenue from or is not able to manage the costs of the business of the Target Company effectively, the overall financial position and profitability of the Enlarged Group may be adversely affected.

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## LETTER TO SHAREHOLDERS

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***The Enlarged Group is subject to risks associated with counterparties***

If Delong Steel PRC successfully acquires the Target Stake, the Group will be managing the Target Company jointly with Anhui Dachang, or other joint venture partners which may come on-board in the future. Such joint venture may involve risks, including the inability to perform or non-performance by the joint venture partners of their obligations under the shareholders' agreement or joint venture agreements (if any), and disagreements and/or disputes with the joint venture partners leading to delays in the progress of the construction of the Steel Project and/or the operations of the Target Company. There is no assurance that the Enlarged Group will not encounter such risks in the future which may have a material adverse effect on the business, financial condition, results of operations and prospects of the Enlarged Group.

***The Target Company is required to comply extensively with the PRC environmental laws and regulations in its manufacturing operations, and changes in those laws and regulations or their interpretation or implementation, or unanticipated environmental effects from its operations, could require the Group to incur new or increased costs***

The Target Company is subject to PRC environmental and health and safety laws, regulations and other legal requirements promulgated by the relevant PRC governmental authorities. These laws govern aspects of the Target Company's steel manufacturing operations, such as, amongst others, the discharge of substances into the air and water. The costs associated with complying with these laws and environmental standards and procedures will affect the Target Company's production costs. In addition, any increase in the Target Company's compliance requirements due to the enactment of new laws or regulations or changes in the interpretation or implementation of existing laws and regulations will increase its production costs or loss of revenue which may, in turn, have a material adverse effect on its business, financial performance, financial condition, results of operations and prospects.

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

Following the completion of the construction of the Steel Project and the commencement of its operations, the Target Company 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, 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 Enlarged 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 Enlarged Group which may not be covered, in whole or in part, by insurance. While the Enlarged 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 Enlarged Group may be materially and adversely affected.

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## LETTER TO SHAREHOLDERS

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### ***The Target Company depends on certain key property, plant and equipment (after they have been constructed) to conduct its business operations***

The Target Company's business operations depend on certain key property, plant and equipment (such as the Steel Project, after it has been constructed) and other general infrastructure and equipment. There is no assurance that these key property, plant and equipment will not suffer damage or operational difficulties during the course of the Target Company's operations. In the event any significant damage or operational difficulties occur and the Target Company is not able to carry out the necessary rectifications, repairs or replacements in a timely manner or at all due to any reasons, such as lack of adequate funds or lack of supply, such significant damage or operational difficulties could have a material and adverse effect on its business, financial performance, financial condition, results of operations and prospects.

### **2.8 Relative figures for the Proposed Acquisition under Chapter 10 of the Listing Manual**

Assuming that the aggregate consideration for the Proposed Acquisition is the **Minimum Bid Price**, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006(b)<sup>(1)</sup> and Rule 1006(c)<sup>(1)</sup> of the Listing Manual is as follows:

Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	0%
Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation <sup>(2)</sup>	116.4%

#### **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 Target Company was dormant in FY2016 and therefore, there were no net profits attributable to the Target Company for FY2016. Rule 1006(d) of the Listing Manual is not applicable as the Company will not be issuing equity securities as consideration for the Proposed Acquisition.
- (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 the Latest Practicable Date. The calculation is based on the exchange rate of S\$1.00:RMB4.90 as at the Latest Practicable Date.

Assuming that the aggregate consideration for the Proposed Acquisition is the **maximum price of the Indicative Bidding Range**, the relative figure for the Proposed Acquisition computed on the base set out in Rule 1006(c) of the Listing Manual is as follows:

Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation	144.1%
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Assuming that the aggregate consideration for the Proposed Acquisition comprises (a) the **Minimum Bid Price** and (b) the estimated sum required to be contributed by the Group for the Target Company to commence operations of approximately RMB1.75 billion (based on the Group's pro-rated contribution as a 51% shareholder of the Target Company following completion of the Proposed Acquisition), the relative figure for the Proposed Acquisition computed on the base set out in Rule 1006(c) of the Listing Manual is as follows:

Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation	232.0%
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Assuming that the aggregate consideration for the Proposed Acquisition comprises (a) the **maximum price of the Indicative Bidding Range** and (b) the estimated sum required to be contributed by the Group for the Target Company to commence operations of approximately RMB1.75 billion (based on the Group's pro-rated contribution as a 51% shareholder of the Target Company following completion of the Proposed Acquisition), the relative figure for the Proposed Acquisition computed on the base set out in Rule 1006(c) of the Listing Manual is as follows:

Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation	259.7%
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## LETTER TO SHAREHOLDERS

Based on the relative figures derived under Rule 1006(c) for the above situations, the Proposed Acquisition will most likely be regarded as a “very substantial acquisition” as defined in Rule 1015 of the Listing Manual and is subject to, amongst others, the approval of the Shareholders.

### 2.9 Financial effects of the Proposed Acquisition and the Proposed JV

For illustrative purposes only and based on the audited consolidated financial statements of the Group for FY2016, the financial effects of the Proposed Acquisition on (i) the net tangible assets; and (ii) the earnings per share of the Group are as set out below, assuming that completion of the Proposed Acquisition and 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.

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

- (1) The purchase consideration is satisfied by the Company’s internal resources;
- (2) The acquisition-related costs relating to the Proposed Acquisition are assumed to be RMB2.5 million;
- (3) The interest expense arising from bank borrowing is assumed to be based on an interest rate of 5% per annum<sup>(1)</sup>;
- (4) The Company’s pro-rated contribution as a shareholder of the Target Company following completion of the Proposed Acquisition of the construction costs (less EPC financing portion) relating to the Steel Project is assumed to be RMB1.75 billion and will be financed entirely by the Company’s internal resources;
- (5) The difference between the cost of acquisition and the fair values of the net assets (based on the valuation amount) acquired is accounted as goodwill/bargain purchase. Goodwill is not amortised but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Bargain purchase gains are recognised in full at the point of acquisition; and
- (6) 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%).

**Note:**

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

#### 2.9.1 NTA

	As at FY2016	After the Proposed JV	After the Proposed Acquisition and the Proposed JV	
			<u>Minimum Bid Price</u>	<u>Maximum price of Indicative Bid Range</u>
NTA (RMB’000)	2,542,931	2,542,931	2,596,073 <sup>(2)</sup>	2,174,734 <sup>(1)</sup>
Number of Shares	110,182,709	110,182,709	110,182,709	110,182,709
NTA per Share (RMB)	23.08	23.08	23.56	19.74

**Notes:**

- (1) After taking into account goodwill arising from the Proposed Acquisition.
- (2) Included bargain purchase gain arising from the Proposed Acquisition

## LETTER TO SHAREHOLDERS

### 2.9.2 EPS

	As at FY2016	After the Proposed JV	After the Proposed Acquisition and the Proposed JV	
			<u>Minimum Bid Price</u>	<u>Maximum price of Indicative Bid Range</u>
Net profit attributable to equity holders (RMB'000)	213,030	112,781	165,923 <sup>(1)</sup>	110,281
Weighted average number of shares	110,182,709	110,182,709	110,182,709	110,182,709
Earnings per share(RMB)	1.93	1.02	1.51	1.00

**Note:**

(1) Included bargain purchase gain arising from the Proposed Acquisition.

### 2.9.3 Gearing

For illustrative purposes only and based on the audited consolidated financial statements of the Group for FY2016 and the assumptions as herein stated above, the financial effects of the Proposed Acquisition on net gearing ratio of the Group are as set out below.

	As at FY2016	After the Proposed JV	After the Proposed Acquisition and the Proposed JV	
			<u>Minimum Bid Price</u>	<u>Maximum price of Indicative Bid Range</u>
Net gearing ratio <sup>(1)</sup> (Times)	0.51	1.63	1.64	1.68

For illustrative purposes only and based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 September 2017 and the assumptions as herein stated above, the financial effects of the Proposed Acquisition on net gearing ratio are as set out below.

	As at 30 September 2017	After the Proposed JV	After the Proposed Acquisition and the Proposed JV	
			<u>Minimum Bid Price</u>	<u>Maximum price of Indicative Bid Range</u>
Net gearing ratio <sup>(1)</sup> (Times)	Nil	0.61	0.73	0.74

**Note:**

(1) Net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings (including notes payables) less cash and cash equivalents, as well as bank balances pledged.

### 2.10 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 Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

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## LETTER TO SHAREHOLDERS

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### 2.11 Moratorium Undertakings

The Proposed Acquisition, 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 3 of this Circular titled "*Interests of Directors and Substantial Shareholders*", 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:

- (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 Proposed Acquisition ("**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.

## LETTER TO SHAREHOLDERS

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.

### 3. 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 Liguo	–	–	64,163,500 <sup>(4)</sup>	58.23	64,163,500	58.23
<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
Evraz 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 Liguo 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 Evraz S.A. Group and is therefore deemed to be interested in the Shares held by Evraz S.A Group.
- (6) Lanebrook is the major shareholder of EVRAZ plc and is therefore deemed interested in the Shares held by Evraz S.A Group.
- (7) Shares are held through nominee account.



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## LETTER TO SHAREHOLDERS

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Save as disclosed in this Section 3, none of the Directors or Substantial Shareholders has an interest, direct or indirect, in the Proposed Acquisition.

#### 4. DIRECTORS' RECOMMENDATION

Having considered, *inter alia*, the rationale for and terms of the Proposed Acquisition, the Reporting Accountants' report set out in Appendix II to this Circular, and the Valuation Report, the Directors are of the opinion that the Proposed Acquisition is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favor of the ordinary resolution relating to the Proposed Acquisition to be proposed at the EGM.

Mr. Ding Liguu, the Executive Chairman and Controlling Shareholder of the Company, has irrevocably undertaken to vote his entire direct and deemed interests in the Company in favour of the resolution relating to the Proposed Acquisition at the EGM.

#### 5. 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 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the first extraordinary general meeting of the Company to be held at 9.30 a.m on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolution set out in the notice of the EGM.

#### 6. ACTIONS TO BE TAKEN BY SHAREHOLDERS

##### 6.1 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.

##### 6.2 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.

#### 7. 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 Acquisition, the Vendor, the Target Company, 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.

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## LETTER TO SHAREHOLDERS

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### 8. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

To the best of the Financial Adviser's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

For the avoidance of doubt, Stirling Coleman Capital Limited is the Financial Adviser in respect of the Proposed Acquisition only and does not act in any capacity in respect of the Proposed JV.

### 9. CONSENTS

- 9.1 Stirling Coleman Capital Limited, the Financial Adviser to the Company in respect of the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.
- 9.2 Zhong Xin Law Office (北京市众鑫律师事务所), the PRC Counsel to the Company in relation to the due diligence conducted on the Target Company pursuant to Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.
- 9.3 Deloitte & Touche LLP, the Independent Auditors of the Company and Reporting Accountants to the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the "Independent Auditors' Report on the Consolidated Financial Statements for the Years Ended 31 December 2014, 2015 and 2016" and the "Reporting Accountants' Report On The Compilation Of Unaudited Pro Forma Financial Information Of The Enlarged Group For The Financial Years Ended 31 December 2014, 2015 And 2016" set out in Appendix II to this Circular, and references to its name in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 9.4 Beijing Datang Tianjian Assets Appraisal Co. Ltd (北京大唐天健资产评估有限公司), the Independent Valuer commissioned by the Company in relation to the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of a summary of the Valuation Report as Appendix III to this Circular, and references to its name in the form and context in which it appears in this Circular and the summary of the Valuation Report and to act in such capacity in relation to this Circular.

### 10. 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 Constitution;
- (b) the MOU;
- (c) the Deeds of Moratorium Undertaking referred to in Section 2.11 of this Circular titled "*Moratorium Undertakings*";
- (d) the annual report of the Company for FY2014, FY2015 and FY2016;

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## LETTER TO SHAREHOLDERS

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- (e) the “Independent Auditors’ Report on the Consolidated Financial Statements for the Years Ended 31 December 2014, 2015 and 2016” and the “Reporting Accountants’ Report On The Compilation Of Unaudited Pro Forma Financial Information Of The Enlarged Group For The Financial Years Ended 31 December 2014, 2015 And 2016”, as set out in Appendix II to this Circular; and
- (f) the Valuation Report.

### 11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Circular.

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

Ding Liguo  
Executive Chairman

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## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

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Information disclosed in this Circular relating to the Target Company, including without limitation the information set out in this Appendix I, were based on information provided by the Vendor following the signing of the MOU, as well as information from the due diligence conducted on the Target Company by the Group (which is set out in further detail in Section 2.5 of this Circular titled “*Target Company Due Diligence*”). As the Target Stake is considered to be a PRC state-owned asset, the Proposed Acquisition is subject to an open tender process conducted by the China Beijing Equity Exchange (北京产权交易所). **Due to the nature of this transaction, Shareholders should note that the breadth and depth of information that the Vendor can and has provided to the Group (including its legal advisers and/or other advisers) is limited and may not necessarily be complete.**

### 1. BACKGROUND AND HISTORY

The Target Company is a company established in the PRC with limited liability. It was incorporated on 24 March 2010 with its registered office at the Anhui Huoqiu Economic Development Zone (安徽霍邱经济开发区) in PRC. The registered and paid-in capital of the Target Company is RMB3 billion as at the Latest Practicable Date.

As at the Latest Practicable Date, the Target Company’s registered business activities include, amongst others, iron and steel smelting, steel rolling and sales; production and sale of iron ore, iron ore powder, sinter, pellets, coke and by-products; processing, utilization and sale of waste by-products generated in the industrial production process; and sale of building materials. For those registered business activities which require specific approvals from the relevant PRC authorities, the Target Company will have to obtain the requisite approvals before undertaking such activities.

Based on a general search of the records of the Market Supervision and Administration Bureau (县市场监督管理局存档), the shares in the Target Company have not been pledged, frozen or subject to any unusual circumstances.

### 2. MANAGEMENT STRUCTURE

To the best of the Directors’ knowledge, the Target Company is currently managed by Li Hongge, who is also the legal representative of the Target Company. Li Hongge is supported by the other directors, namely Ji Shaobo, Wang Ziting, Feng Guoqing, Ji Shaojie, Ji Shaoqing, and the Board of Supervisors which comprises Ji Lichang, Han Chunlin and Lin Dongmei.

Upon the completion of the Proposed Acquisition, the Company intends to replace Li Hongge with the Company’s Executive Chairman Ding Liguo as the legal representative of the Target Company. The Company will also have the right to appoint 4 directors while Anhui Dachang will be entitled to appoint 3 directors to the board of directors of the Target Company.

Please refer to Section 2.6.5 of this Circular titled “*Management team*” which sets out the Company’s plans in relation to the management structure of the Target Company in the event that the Group successfully acquires the Target Stake.

### 3. PERMITS, APPROVALS AND REGISTRATIONS

To the best knowledge of the Directors, the Target Company had obtained the following permits, licences, and approvals for the construction of the Steel Project and/or commencement of operations:

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
1.	National Development and Reform Commission (国家发展和改革委员会)	Reply about Preliminary Work of Huoqiu Iron Mine Deep Processing Project of Anhui Shoukuang Dachang Metal Material Co., Ltd. 关于安徽首矿大昌金属材料有限公司霍邱铁矿深加工项目开展前期工作的复函	Approval given for the commencement of preliminary work on the Steel Project 国家发改委同意钢铁项目开展前期工作	23 May 2011	Not Applicable <sup>(1)</sup>
2.	Land Resources Bureau of People's Government of Huoqiu County (霍邱县人民政府国土资源局)	Letter about Limited Allocation of Auxiliary Material to Iron Mine Deep Processing Project — No. HGTZH[2011]61 关于将辅料资源有限配置给铁矿深加工项目的函——霍国土资函[2011]61号	To grant the Target Company priority in the allocation of the reserves from dolomite mine and limestone mine 将本地探明储量的白云岩矿和灰岩矿优先配置给首矿大	4 July 2011	Not Applicable <sup>(1)</sup>
3.	Liu'an City Ministry of Transport (六安市交通运输局)	Reply about Route Change of Huoqiu County X033 Zaogao Road — No. LJJ[2012]26 关于霍邱县X033枣高路路线变更的批复——六交计[2012]26号	In support of the construction of the Steel Project, the Liu'an City Ministry of Transport agreed to change the highway routes 为支持项目建设，六安市交通局同意变更枣高路路线	20 July 2011	Not Applicable <sup>(1)</sup>
4.	Highway Administration Bureau of Anhui Province (安徽省公路管理局)	Special Meeting Summary about Huoqiu Iron Mine Economic Development Zone Reconstruction Project 关于霍邱铁矿经济开发区段改建项目专题会议纪要	In support of the construction of the Steel Project, the Highway Administration Bureau agreed to restructure the 105 National Road of Huoqiu Economic Development Zone 为支持项目建设，省公路局同意105国道霍邱经济开发区改建	15 August 2011	Not Applicable <sup>(1)</sup>

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
5.	Water Conservancy Department of Anhui Province (安徽省水利厅)	Opinions about Report on Water Resources Argumentation of Huoqiu Iron Mine Deep Processing Project — No. WSZYH[2012]1120 关于《霍邱铁矿深加工项目水资源论证报告书》的意见——皖水资源函[2012]1120号	Approval given for the Steel Project to use water from Westlake for its production purposes 同意本项目以城西湖地表水为生产用水	13 September 2011	If the Target Company does not obtain the relevant approvals for the Steel Project within 3 years from the date of receipt of approval for supply of water, the issued document will be automatically invalidated.  As it has been more than 3 years from 13 September 2011, the issued document has been automatically invalidated. An application to seek extension/ renewal of validity will be put forth if the Group successfully acquires the Target Stake. The Directors do not foresee any material difficulty with obtaining such extension/ renewal.

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
6.	Development and Reform Commission of Anhui Province (安徽省发展和改革委员会)	Requesting Instructions about Steel Production Capacity Allocation Problem of Huoqiu Iron Mine Deep Processing Project of Anhui Shoukuang Dachang Metal Material Co., Ltd. — No. WFGCY [2012]1123 关于安徽首矿大昌金属材料有限公司霍邱铁矿深加工项目钢铁产能配置问题的请示——皖发改产业[2012]1123号	To seek the Development and Reform Commission's instructions on increasing the production capacity by 2 million tonnes 向国家发改委关于增加200万吨产能的请示	16 September 2011	Not Applicable <sup>(1)</sup>
7.	Administration of Work Safety of Anhui Province (安徽省安全生产监督管理局)	Letter about Report Record on Safety Pre-evaluation of Huoqiu Iron Mine Deep Processing Project of Anhui Shoukuang Dachang Metal Material Co., Ltd. — No. WAJEBH [2012]56 关于安徽首矿大昌金属材料有限公司霍邱铁矿深加工项目安全预评价报告备案的函——皖安监二备函[2012]56号	Approval given for the pre-evaluation report on the safety of the Steel Project 同意项目安全预评价报告备案	17 October 2011	Not Applicable <sup>(1)</sup>
8.	Anhui Electric Power Company Liu'an Power Supply Company (安徽省电力公司六安供电公司)	Letter about Reply on Power Supply Condition of Huoqiu Iron Mine Deep Processing Project — No. LGDH[2011]42 关于对霍邱铁矿深加工项目供电情况答复的函——六供电函[2011]42号	Approval given for the power supply application in respect of the Steel Project 同意首矿大昌项目的31.5万千瓦用电负荷申请	16 November 2011	Not Applicable <sup>(1)</sup>

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
9.	Ministry of Water Resources (水利部)	Reply about Water and Soil Conservation Scheme of Huoqiu Iron Mine Deep Processing Project — No. SBH[2012]5 关于霍邱铁矿深加工项目水土保持方案的批复——水保函[2012]5号	Approval given for the Steel Project's soil and water conversation programme, subject to the conditions stated in the document 同意项目的水土保持方案，并提出要求	11 January 2012	Not Applicable <sup>(1)</sup>
10.	Ministry of Land and Resources (国土资源部)	Reply about Pretrial Opinions on Huoqiu Iron Mine Deep Processing Project Construction Land of Anhui Shoukuang Dachang Metal Material Co., Ltd. 关于安徽首矿大昌金属材料有限公司霍邱铁矿深加工项目建设用地预审意见的复函	Preliminary approval given for the use of the land for the Steel Project 初步同意项目用地的请示	28 April 2012	This issued document is valid for a period of 2 years and has expired on 28 April 2014. An application to seek extension/ renewal of validity will be put forth if the Group successfully acquires the Target Stake. The Directors do not foresee any material difficulty with obtaining such extension/ renewal.



**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
11.	National Development and Reform Commission (国家发展和改革委员会)	National Development and Reform Commission General Office's Audit Opinions about Energy Saving Assessment Report on Huoqiu Iron Mine Deep Processing Project of Anhui Shoukuang Dachang Metal Material Co., Ltd. — No. FGBHZ [2012]1228 国家发展改革委办公厅关于安徽首矿大昌金属材料有限公司霍邱铁矿深加工项目节能评估报告的审查意见——发改办环资[2012]1228号	Approval given for the results of the energy conversation assessment report, subject to the conditions stated in the document 同意节能评估报告，并提出要求	18 May 2012	Not Applicable <sup>(1)</sup>
12.	Ministry of Environmental Protection (环境保护部)	Reply about Environmental Impact Statement on Huoqiu Iron Mine Deep Processing Project of Anhui Shoukuang Dachang Metal Material Co., Ltd. — No. HS[2012] 231 关于安徽首矿大昌金属材料有限公司霍邱铁深加工项目环境影响报告书的批复——环审[2012]231号	To raise requirements on the Target Company in relation to the environmental protection aspects of the Steel Project 同意项目公司建设，提出环保的要求	28 August 2012	Not Applicable <sup>(1)</sup>

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
13.	Housing and Urban-Rural Department of Anhui Province (安徽省住房和城乡建设厅)	Audit Opinions about Planning Site Selection of Huoqiu Iron Mine Deep Processing Project of Anhui Shoukuang Dachang Metal Material Co., Ltd. 关于对安徽首矿大昌金属材料有限公司霍邱铁矿深加工工程项目规划选址的审核意见	Approval given for the site selection of the Steel Project at the southwest region of Gaotang Town 同意项目选择在高塘镇西南	3 September 2012	<p>If the Target Company does not obtain the relevant approvals for the Steel Project within the validity period of the issued document (i.e. within a year from the date of issue of the document), the issued document will be automatically invalidated.</p> <p>As it has been more than a year from the date of issue of the document, the issued document has been automatically invalidated. An application to seek extension/ renewal of validity will be put forth if the Group successfully acquires the Target Stake. The Directors do not foresee any material difficulty with obtaining such extension/ renewal.</p>

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
14.	National Development and Reform Commission (国家发展和改革委员会)	National Development and Reform Commission's Reply about Huoqiu 3 million tons/year Steel Project Approval of Anhui Shoukuang Dachang Metal Material Co., Ltd. — No. FG CY [2013]467 国家发展和改革委员会关于安徽首矿大昌金属材料有限公司霍邱300万吨/年钢铁项目核准的批复——发改产业[2013]467号	Approval given for the Steel Project 批准开展300万吨钢铁项目	6 March 2013	<p>This issued document is valid for a period of 2 years from the date thereof. If construction has not commenced within the validity period of the issued document, an application for extension of time should be submitted within 30 days before the expiry of the validity period.</p> <p>The issued document will be automatically invalidated if construction has not commenced, or extension of time has not been sought, or approval was not given for the application for extension of time.</p>

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Issuing Authority	Issued Document	Purpose	Date of Issue	Validity Period
					An application to seek extension/ renewal of validity will be put forth if the Group successfully acquires the Target Stake. The Directors do not foresee any material difficulty with obtaining such extension/ renewal.
15.	Development and Reform Commission of Anhui Province (安徽省发展和改革委员会)	Development and Reform Commission of Anhui Province Transmitting the Reply of National Development and Reform Commission about Huoqiu 3 million tons/year Steel Project Approval of Anhui Shoukuang Dachang Metal Material Co., Ltd. — No. WFGCY [2013]192 安徽省发展改革委转发国家发展改革委关于安徽首矿大昌金属材料有限公司霍邱300万吨/年钢铁项目核准的批复——皖发改产业[2013]192号	Approval given for the implementation of the Steel Project 省发改委批准开展300万吨钢铁项目	11 April 2013	Not Applicable <sup>(1)</sup>

**Note:**

- (1) As advised by PRC Counsel, Zhong Xin Law Office, these permits, licences, and approvals do not provide for a validity period.

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## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

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With respect to the validity of the above permits, licences, and approvals, PRC Counsel, Zhong Xin Law Office, has advised that as long as the relevant requirements and procedures relating to the commencement of the construction have been duly complied with, the Steel Project as a whole does not have the risk of being discontinued.

The PRC Counsel had also, in its legal due diligence report, advised the Group that as the Target Company had ceased construction activities since 2014, some of the permits, licences, and approvals obtained have expired or certain conditions in some of the permits, licences, and approvals obtained had not been fulfilled, and therefore upon successful bid of the Target Company, the Group should apply to the relevant government authorities to seek confirmation on the validity or extension/renewal of such permits, licences, and approvals.

Based on the aforementioned advice of the PRC Counsel, the Company had conducted its own assessment on the likelihood of obtaining the necessary permits, licences and/or approvals or extension/ renewal of the same including (1) seeking representations from the Target Company on its discussions with the relevant governmental authorities with regard to them using their best endeavours to assist the Target Company to obtain the necessary permits, licences and/or approvals, or to extend or renew the validity of such permits, licences and/or approvals, and (2) communicating directly with the People's Government of Liu'an on numerous occasions in relation to the same matter. Further details on the foregoing are mentioned hereunder.

Based on representations made by the Target Company, and to the best knowledge of the Directors, the Directors understand that on the basis of the Target Company's discussions with the relevant governmental authorities, the relevant governmental authorities have given verbal assurances that they will, following the completion of the transfer of the Target Stake, use their best endeavours to assist the Target Company to obtain the necessary permits, licences, and approvals, or to extend or renew the validity of such permits, licences, and approvals.

The management of the Company had also communicated with the People's Government of Liu'an on numerous occasions in relation to the issues on, amongst others, the land use permits and exploration permits. The local government had given verbal assurances that if the Group successfully acquires the Target Stake, the relevant governmental departments will use their best endeavours to provide the necessary assistance in relation to the permits and approval documents.

Further, the Company understands that the People's Government of Liu'an has, on 20 September 2017, issued a written notice to the Target Company which provides that, amongst others, the city and county governments will provide the necessary support in relation to the matters concerning the Steel Project (including but not limited to the issues regarding land and exploration rights), after the transfer of the Target Stake has been completed.

Based on the above, the Company does not foresee any material difficulty with obtaining the necessary permits, licences, and approvals or extension/ renewal of the same (as the case may be) if there is governmental support.

Further, as the abovementioned approvals are general approvals which are required to be obtained in order to construct a manufacturing plant and to commence production, the Group has the necessary experience and in-house technical personnel, who had applied for and obtained such approvals in the past. This further supports the Directors' view that they do not foresee any difficulty with the application and obtaining of these permits, licences and/or approvals.

Notwithstanding the above, the Enlarged Group intends to work closely with the relevant PRC governmental authorities on resolving these issues and mitigating the risks to the Enlarged Group.

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

To the best knowledge of the Directors, the list of permits and approvals that the Target Company will still be required to obtain in relation to commencing steel operations are as follows:

No.	Issuing Authority	Nature of Licence/ Permit
1.	Housing authority (住建局)	Construction permit(s) for each process of the construction
2.	Technical Supervision Bureau (技术监督局)	Production permit(s)
3.	Environmental Protection Bureau (环保局)	Pollutant discharge permit(s)
4.	Fire department (消防部门)	Fire registration certificate for each process of the construction

Save as disclosed above, to the best knowledge of the Directors, the Target Company has obtained all necessary permits, licences, and approvals that are necessary for the construction of the Steel Project and its business (after construction has completed).

#### 4. MAJOR ASSETS OF THE TARGET COMPANY

As at the Latest Practicable Date, the Target Company owns the following major assets:

- (1) land use rights to 7 land parcels covering an aggregate area of 2,252,193m<sup>2</sup>. Land use permits have been obtained for 4 such land parcels (covering an aggregate area of 1,662,368m<sup>2</sup>), while land use permits have not been obtained for the other land parcels (covering an aggregate of 589,825m<sup>2</sup>). Further details on the foregoing are set out below; and
- (2) the Steel Project, as described below.

##### **Land use rights**

The Target Company had entered into 7 land grant contacts in relation to 7 different land parcels located at the Anhui Huoqiu Economic Development Zone (安徽霍邱经济开发区) in PRC.

Out of the 7 land parcels, the Target Company had obtained land use permits for 4 land parcels, details of which are as follows:

	Land Parcel Number	Type of Land	Gross Area (m <sup>2</sup> )	Date of delivery of land parcel	Targeted construction date	Targeted completion date	Validity period of permit
1.	Land Parcel (2010) No. 02 霍土地出(2010)02号	Industrial land	447,447	14 April 2010	24 September 2010	24 September 2014	23 March 2060
2.	Land Parcel (2010) No. 17 霍土地出(2010)17号	Industrial land	1,094,924	27 October 2010	27 February 2011	27 February 2013	26 October 2060
3.	Land Parcel (2010) No. 18 霍土地出(2010)18号	Industrial land	66,205	27 October 2010	27 February 2011	27 February 2013	26 October 2060
4.	Land Parcel (2011) No. 04 霍土地出(2011)04号	Industrial land	53,792	16 October 2011	31 March 2012	16 September 2013	5 October 2061

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

The details of the land parcels for which land use permits have not been obtained are as follows:

	Land Parcel Number	Gross Area (m <sup>2</sup> )	Date of Contract	Date of delivery of land parcel	Targeted construction date	Targeted completion date
1.	Land Parcel (2011) No. 26 霍土地出(2011)26号	291,852	8 July 2011	6 October 2011	8 November 2011	8 July 2014
2.	Land Parcel (2012) No. 19 霍土地出(2012)19号	287,973	16 August 2012	25 September 2012	14 November 2012	6 August 2014
3.	Land Parcel (2012) No. 20 霍土地出(2012)20号	10,000	16 August 2012	25 September 2012	14 November 2012	11 August 2013

In relation to the 3 land parcels mentioned above, PRC Counsel, Zhong Xin Law Office, has advised that the Target Company has signed the relevant land grant contracts and paid the required consideration thereto. Accordingly, there is basis for the Target Company to apply for the land use permits for these land parcels. Based on representations made by the Target Company, and to the best knowledge of the Directors, the Directors understand that on the basis of the Target Company's discussions with the relevant governmental authorities, the relevant governmental authorities have given verbal assurances that they will, following the completion of the transfer of the Target Stake, process the Target Company's application for the aforementioned land use permits (once made).

The management of the Company had also communicated with the People's Government of Liu'an on numerous occasions in relation to the issues on, amongst others, the land use permits and exploration permits. The local government had given verbal assurances that if the Group successfully acquires the Target Stake, the relevant governmental departments will use their best endeavours to provide the necessary assistance in relation to the permits and approval documents.

Further, the Company understands that the People's Government of Liu'an has, on 20 September 2017, issued a written notice to the Target Company which provides that, amongst others, the city and county governments will provide the necessary support in relation to the matters concerning the Steel Project (including but not limited to the issues regarding land and exploration rights), after the transfer of the Target Stake has been completed.

Based on the above and the Company's internal assessment, the Company does not foresee any material difficulty with obtaining the necessary permits, licences, and approvals or extension/renewal of the same (as the case may be) if there is governmental support.

Notwithstanding the above, the Enlarged Group intends to work closely with the relevant PRC governmental authorities on resolving these issues and mitigating the risks to the Enlarged Group.

The terms of the 7 land grant contracts state that, amongst others:

- (a) in the event that the assignee (i.e. the Target Company) fails to commence or complete construction in accordance with the dates stipulated therein (as set out above), or does not agree to extend the relevant dates (such extension to be no more than 1 year from the original dates), it shall be liable to pay liquidated damages amounting to 1/1000 of the consideration price for each day of delay; and
- (b) where the assignee causes the land to remain idle for at least a year but no more than 2 years, the land idle fee shall be paid in accordance with applicable laws. Further, if the land has been idle for two years and construction thereon has not commenced, the transferor shall have the right to recover the state-owned construction land use right without compensation to the assignee.

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## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

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Based on representations made by the Target Company, and to the best knowledge of the Directors, the Directors understand that on the basis of the Target Company's discussions with the relevant governmental authorities, the relevant governmental authorities have given verbal assurances that since construction of the Steel Project had merely stalled, the land would not be considered to be idle and as such, the relevant clauses in the land grant contracts relating to land idle fee and the potential liquidated damages that might be levied for delay in completion of the construction would not be applicable. Nevertheless, Shareholders should note that there is no assurance or guarantee that the relevant governmental authorities would not enforce the relevant terms in the land grant contracts and/or impose penalties or other consequences in respect of the 7 land parcels, as disclosed in Section 2.7 of this Circular titled "*Risk factors associated with the Proposed Acquisition*".

Other issues raised by PRC Counsel, Zhong Xin Law Office, are as follows:

- (A) Pursuant to representations made by the Target Company, the Target Company is currently occupying about 1 Mu of land outside the designated land parcels mentioned above. Accordingly, the local government had imposed tax on the Target Company for occupying such land which the Target Company does not have land use rights over, and this had been paid by the Target Company.

However, based on further representations made by the Target Company, and to the best knowledge of the Directors, the Directors understand that on the basis of the Target Company's discussions with the relevant governmental authorities, the relevant governmental authorities have given verbal assurances that they will, following the completion of the transfer of the Target Stake, use their best endeavours to assist the Target Company with resolving this issue. Nevertheless, Shareholders should note that there is no assurance or guarantee that the relevant PRC governmental authorities will grant the land use rights over such land to the Target Company, as disclosed in Section 2.7 of this Circular titled "*Risk factors associated with the Proposed Acquisition*".

- (B) The office building which the Target Company is currently using, as well as the land use rights over the land on which the building is situated on, are currently owned by Anhui Dachang, and not the Target Company. Further, the land use rights over several land parcels within the Target Company's designated land area belong to Anhui Dachang as well. The premises which the Target Company is currently renting from Anhui Dachang are rent-free. Pursuant to representations made by the Target Company, the Company understands that Anhui Dachang had verbally agreed to transfer the land use rights and property rights to the Target Company in due course. It is expected that any transfer will be made at a consideration to be agreed between the Company and Anhui Dachang in due course. Notwithstanding the foregoing, in the event that Anhui Dachang imposes rent on the Target Company in the future, the Company understands that this will likely be based on market rate and in any case, would likely not be substantial. Nevertheless, Shareholders should note that there is no assurance or guarantee that Anhui Dachang will complete the transfer or transfer such land use rights and property rights to the Target Company at an acceptable consideration, as disclosed in Section 2.7 of this Circular titled "*Risk factors associated with the Proposed Acquisition*".

### ***Management of Risks faced by the Target Company***

The Group is of the view that the risks posed to the Target Company disclosed herein (including but not limited to the permits, licences, and approvals that have not been obtained/ renewed) can be managed due to the following reasons:

- (1) the permission for the construction of the Steel Project has been approved by the National Development and Reform Commission;
- (2) the permits, licences, and approvals for the construction of the Steel Project and/or commencement of operations that has to be renewed are ancillary to the construction of the Steel Project (which has been approved), and renewal of these licences should be procedural since they had been approved previously;



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## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

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- (3) the PRC Counsel, Zhong Xin Law Office, has advised that the Target Company has basis to apply for the land use permits for the land parcels without land use permits, as the Target Company has signed the relevant land grant contracts and paid the required consideration thereto;
- (4) the Company has sought representations from the Target Company on its discussions with the relevant governmental authorities which have in turn indicated that they will use their best endeavours to assist the Target Company to obtain the necessary permits, licences and/or approvals, or to extend or renew the validity of such permits, licences and/or approvals and the Group had communicated with the People's Government of Liu'an, which has indicated that they will use their best endeavours to assist the Target Company to obtain the necessary permits, licences and/or approvals, or to extend or renew the validity of such permits, licences and/or approvals; and
- (5) the Group has been operating similar steel manufacturing facilities in the PRC and has the necessary experience and in-house technical personnel, who had applied for and obtained such approvals in the past.

However as additional safeguards, if the Group is successful in bidding for the Target Stake, the Group will impose the following risk management policies to mitigate these risks further and reduce the financial exposure to the Group:

- (1) undertake an overall risk management exercise in order to come up with an action plan with prescribed timelines to address such risks. Pending the completion of this risk management exercise and approval of the aforementioned action plan by the Board, the Group shall not inject any significant funding into the resumption of construction activities and recommencement of the Steel Project;
- (2) any disbursement of funds for the resumption of construction activities and recommencement of the Steel Project shall be approved by the Audit Committee of the Company prior to such disbursement.

### ***Steel Project***

The Target Company was in the midst of constructing the Steel Project. However, construction of the Steel Project was stopped in 2014.

Based on information provided to the Group by the Target Company, the Steel Project, when construction is completed, will comprise:

- (1) 1 raw material plant;
- (2) 2 240m<sup>2</sup> sinter machines;
- (3) 2 stamp-charging coke ovens;
- (4) 2 1780m<sup>3</sup> blast furnaces;
- (5) 2 converters;
- (6) 1 120 tonnes ladle furnace;
- (7) reserved VD electric furnace;
- (8) 3 eight-strand continuous casting machines;
- (9) 2 high speed wire rod production lines; and
- (10) 2 bar/steel bar production lines.

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

The list of construction contracts that the Target Company have entered into (and which are not part of the list of material contracts set out in the section on “*Material contracts*” hereunder) are set out below.

Contract Name	Contractor Name	Signing Date	Contract Amount (RMB'000)
Design contract, design contract (supplemental contract) 设计合同、设计合同(补充合同)	Beijing Shougang International Engineering Technology Co., Ltd. 北京首钢国际工程技术有限公司	30 December 2013	25,200 <sup>(1)</sup>
Sintering engineering design contract 烧结工程设计合同		31 July 2012	9,000
General contract for design, procurement and construction of Steelmaking continuous casting engineering 炼钢连铸工程设计、采购、施工总承包合同		29 September 2012	1,045,000
Design contract of raw material field engineering 原料场工程设计合同		27 December 2012	2,930
Procurement and construction contract of sintering engineering 烧结工程采购、施工承包合同	Beijing Shougang Mine Construction Engineering Co., Ltd. 北京首钢矿山建设工程有限公司	28 September 2012	572,000
Memorandum on the signing of sub contract by the sintering engineering 关于烧结工程签订分项承包合同的备忘录		15 November 2012	None <sup>(2)</sup>
General contract for the construction of sintering engineering 烧结工程施工总承包合同		15 November 2012	263,250
Procurement contract for automation and communication equipment of sintering engineering 烧结工程自动化及通信设备采购合同	Beijing Suli Technology Co., Ltd. 北京速力科技有限公司	6 December 2012	13,060
Contract for automation and communication equipment of sintering engineering 烧结工程自动化及通信施工承包合同		6 December 2012	6,350

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

<b>Contract Name</b>	<b>Contractor Name</b>	<b>Signing Date</b>	<b>Contract Amount (RMB'000)</b>
General contract for design, procurement and construction of steel rolling engineering heating furnace 轧钢工程加热炉设计、采购、施工总承包合同	Jiangsu Suneng Environmental Protection and Technology Co., Ltd. 江苏苏能环保科技有限公司	July 2012	62,330
General contract for design, procurement and construction of centralized air pressure station engineering in the factory 全厂集中空压站工程设计、采购、施工总承包合同	Jiangsu Jintongling Fluid Mechanical Technology Co., Ltd. 江苏金通灵流体机械科技股份有限公司	16 June 2013	31,460
General contract for design, procurement and construction of steelmaking sleeve kiln engineering 炼钢套筒窑工程设计、采购、施工总承包合同		27 August 2013	59,300
General contract signing agreement for design, procurement and construction of steelmaking sleeve kiln engineering 炼钢套筒窑工程设计、采购、施工总承包合同分签协议		30 August 2013	None <sup>(2)</sup>
Design service contract for steelmaking sleeve kiln engineering 炼钢套筒窑工程设计服务合同		(Undated)	4,500
Equipment procurement and supply contract for steelmaking sleeve kiln engineering 炼钢套筒窑工程设备采购供货合同		(Undated)	33,300
Construction contract for steelmaking sleeve kiln engineering 炼钢套筒窑工程施工合同		(Undated)	21,500
General contract for design, procurement and construction of steel rolling engineering 轧钢工程设计、采购、施工总承包合同	Sinosteel Equipment Group Co., Ltd. 中钢设备股份有限公司	6 July 2012	828,000

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

<b>Contract Name</b>	<b>Contractor Name</b>	<b>Signing Date</b>	<b>Contract Amount (RMB'000)</b>
General contract for design, procurement and construction of ironmaking engineering 炼铁工程设计、采购、施工总承包合同		12 July 2012	1,266,000
Contract change agreement of general contract for design, procurement and construction of ironmaking engineering 炼铁工程设计、采购、施工总承包合同合同变更协议书		(Undated)	None <sup>(2)</sup>
General contract for design, procurement and construction of coking engineering 焦化工程设计、采购、施工总承包合同		6 July 2012	732,000
General contract for design, procurement and construction of dry quenching and power-generation engineering 干熄焦及发电工程设计、采购、施工总承包合同		6 July 2012	176,000
General contract for procurement and construction of raw material field engineering 原料场工程采购、施工总承包合同		April 2013	160,000
Memorandum on the general contract for procurement and construction of raw material field engineering 原料场工程采购、施工总承包合同备忘录		April 2013	None <sup>(2)</sup>
General contract for design, procurement and construction of gas and waste heat power generation engineering 煤气及余热发电工程设计、采购、施工总承包合同		28 February 2013	1,055,000
General contract for procurement and construction of gas facilities engineering 燃气设施工程采购、施工总承包合同		28 February 2013	225,000

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

Contract Name	Contractor Name	Signing Date	Contract Amount (RMB'000)
Air separation equipment project BOT contract 空分工程BOT合同		17 August 2012	Not Applicable <sup>(3)</sup>
General contract for procurement and construction of integrated pipe network facilities engineering 综合管网设施工程采购、施工总承包合同		3 April 2013	405,500
General contract for design, procurement and construction of water treatment facility 水处理设施设计、采购、施工总承包合同	Wuhan Iron and Steel Industrial Company Construction and Installation Company 武钢实业公司建筑安装工程公司	28 February 2013	94,000

**Notes:**

- (1) Based on information provided by the Target Company, the Company understands that this sum is an estimated figure.
- (2) These contracts do not have a contractual value as they are ancillary contracts to their respective master contracts.
- (3) As advised by PRC Counsel, Zhong Xin Law Office, there is no fixed contractual value to the air separation equipment project BOT contract as the Target Company will be charged on an ad-hoc basis as and when there is actual gas consumption.

As advised by PRC Counsel, Zhong Xin Law Office, as the construction of the Steel Project has stalled for several years, there could have been changes in circumstances since the contracts were first entered into (for example, change in market price of raw materials). However, if the terms of such contracts are substantively altered to reflect present conditions, there is a risk of infringing applicable laws relating to the initial bidding of the contractors for the construction contract, which could result in such contracts becoming void and/or attract penalty charges. Please refer to Section 2.7 of this Circular entitled “*Risk factors associated with the Proposed Acquisition*”.

Further, as advised by PRC Counsel, Zhong Xin Law Office, there are several aspects of the construction where the winning contractor has been notified but no contract has been entered into between the Target Company and such winning contractor.

To the best of the Directors’ knowledge based on the operational due diligence conducted on the Target Company pursuant to information received from the Vendor and Target Company, the details of the various uncompleted components of the construction of the Steel Project are as follows:

Purpose	Total investment amount <sup>(1)</sup> (RMB)	Equipment to be constructed	State of construction
Coking	908,000,000	2 stamp-charging coke ovens	<ul style="list-style-type: none"> <li>● Design blueprint has been fully completed.</li> <li>● Actual construction and installation has been approximately 83% completed.</li> </ul>

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

Purpose	Total investment amount <sup>(1)</sup> (RMB)	Equipment to be constructed	State of construction
Sintering	572,000,000	2 240m <sup>2</sup> sinter machines	<ul style="list-style-type: none"> <li>● Design blueprint is almost completed.</li> <li>● Actual construction and installation has been approximately 81% completed.</li> </ul>
Iron smelting	1,266,000,000	2 1780m <sup>3</sup> blast furnaces	<ul style="list-style-type: none"> <li>● Design blueprint is almost completed.</li> <li>● Actual construction and installation has been approximately 40% completed.</li> </ul>
Steel making	1,045,000,000	2 converters; 1 120 tonnes ladle furnace; 3 eight-strand continuous casting machines	<ul style="list-style-type: none"> <li>● Design blueprint has been minimally completed.</li> <li>● Actual construction and installation has been approximately 7% completed.</li> </ul>
Steel rolling	890,330,000	2 high speed wire rod production lines; 2 bar/ steel bar production lines	<ul style="list-style-type: none"> <li>● Design blueprint is almost completed.</li> <li>● Actual construction and installation has been approximately 70% completed.</li> </ul>
Water treatment works	94,000,000	Water treatment equipment	<ul style="list-style-type: none"> <li>● Design blueprint has been partially completed.</li> <li>● Actual construction and installation has been approximately 62% completed.</li> </ul>
Pipe networking	405,500,000	Pipe and support structures	<ul style="list-style-type: none"> <li>● Design blueprint is almost completed.</li> <li>● Actual construction and installation has been approximately 15% completed.</li> </ul>
Air compressor station	31,460,000	Air compressor	<ul style="list-style-type: none"> <li>● Design blueprint is almost completed.</li> <li>● Actual construction and installation has been approximately 23% completed.</li> </ul>
Gas tank	225,000,000	3 gas holders	<ul style="list-style-type: none"> <li>● Design blueprint has been partially completed.</li> <li>● Actual construction and installation has been approximately 26% completed.</li> </ul>

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

Purpose	Total investment amount <sup>(1)</sup> (RMB)	Equipment to be constructed	State of construction
Self-generating electricity supply	1,055,000,000	Power generator	<ul style="list-style-type: none"> <li>● Design blueprint has been minimally completed.</li> <li>● Actual construction and installation has been minimally completed.</li> </ul>
Coke Dry Quenching and power generation	176,000,000	Power generator	<ul style="list-style-type: none"> <li>● Design blueprint is almost completed.</li> <li>● Actual construction and installation has been approximately 70% completed.</li> </ul>

**Note:**

- (1) Each of the investment amounts stated in the table above is based on the initial construction plans for the Steel Project finalised at the commencement of the construction of the Steel Project in 2012. Based on the assessment of these construction plans by the management of the Company, the Company expects that these investment amounts are still valid.

The management of the Company understands that several other components of the Steel Project not listed above has either been concurrently constructed or construction has not commenced (though bidding for the relevant project by the relevant constructors have completed).

As at the Latest Practicable Date, the Target Company possesses the following major assets:

- (a) workers' dormitory comprising 8 buildings and covering a total area of 53,792m<sup>2</sup>, as described below; and
- (b) exploration rights to the Fanqiao Mine and Zhouji Mine, as set out in further detail below.

***Workers' dormitory***

The workers' dormitory, which covers a total land area of 53,792m<sup>2</sup>, has been constructed and comprises 8 buildings. The buildings are still subject to fire and other inspections.

As far as the Directors are aware, the Target Company has yet to register its property rights over the workers' dormitory. An application to register the Target Company's interest in the workers' dormitory will be put forth if the Group successfully acquires the Target Stake. The Directors do not foresee any material difficulty with such registration.

***Exploration rights***

On 31 August 2010, the Target Company and Huoqiu County Iron Ore Development Co., Ltd. (霍邱县铁矿开发有限责任公司) entered into an agreement pursuant to which Huoqiu County Iron Ore Development Co., Ltd. (霍邱县铁矿开发有限责任公司) agreed to transfer the exploration rights to the iron ore mine located in Fanqiao (安徽省霍邱县范桥铁矿) to the Target Company, for a consideration of RMB289,598,700 (which was based on the valuation done by Anhui Zhiyuan Technology Consulting Co., Ltd (安徽省志远科技咨询责任有限公司)). The Company understands that the consideration has been fully paid. On 29 April 2015, the Anhui Provincial Department of Land and Resources (安徽省国土资源厅) issued an exploration permit to the Target Company, the details of which are as follows:

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

Permit No.	Name of survey project	Exploration area	Validity period of permit
T34520100102038301	Anhui Province, Huoqiu County Fanqiao iron ore exploration (reserve of mineral exploration right) 安徽省霍邱县范桥铁矿 勘探(探矿权保留)	5.09 km <sup>2</sup>	29 April 2015 to 24 February 2017

As the above permit has expired, the Company understands that the Target Company is currently in the process of renewing the permit.

In addition, the Target Company had, on 21 February 2012, entered into a contract with the Anhui Provincial Department of Land and Resources (安徽省国土资源厅) for the transfer of the exploration rights to the iron ore mine located in Zhouji Town (周集镇), Huoqiu County, Anhui Province, PRC, covering an area of 13.87 km<sup>2</sup>, to the Target Company, for an aggregate consideration of RMB515 million. The Company understands that the consideration has been fully paid. As at the Latest Practicable Date, the Target Company has not received the relevant exploration permit yet.

As advised by PRC Counsel, Zhong Xin Law Office, the exploration rights to the Fanqiao Mine and Zhouji Mine had not been obtained through proper legal procedures as the transactions were undervalued. Further, there have been rulings to the effect that the reasonable consideration for the exploration rights to the Fanqiao Mine and Zhouji Mine should be RMB814,567,200 and RMB1,694,562,100 respectively. Accordingly, the exploration permit that was already obtained (but which had expired) in respect of the Fanqiao Mine may be revoked and the signed contracts of transfer (relating to the transfer of the exploration right to the Fanqiao Mine and Zhouji Mine respectively to the Target Company) may become void.

Notwithstanding that the aforementioned exploration permits are in the process of being renewed or have yet to be issued, the Group currently does not have any intention to conduct any mining activities based on these exploration rights should the Proposed Acquisition be successful. This is in consideration of the fact that sufficient iron ore is already available from its existing sources of supply to enable the Group to optimally utilise the completed Steel Project to conduct its production activities. Approval will be sought from Shareholders should the Enlarged Group decide to pursue mining activities in respect of these iron ore mines.

In addition, based on representations made by the Target Company, and to the best knowledge of the Directors, the Directors understand that on the basis of the Target Company's discussions with the relevant governmental authorities, the relevant governmental authorities have given verbal assurances that they will, following the completion of the transfer of the Target Stake, use their best endeavours to assist the Target Company to (a) legalise the transactions relating to the transfer of the exploration rights to the Fanqiao Mine and Zhouji Mine, (b) obtain the necessary exploration licences or permits, and/or (c) to extend or renew the validity of such licences or permits.

The Company understands that the People's Government of Liu'an has, on 20 September 2017, issued a written notice to the Target Company which provides that, amongst others, the city and county governments will provide the necessary support in relation to the matters concerning the Steel Project (including but not limited to the issues regarding land and exploration rights), after the transfer of the Target Stake has been completed.



## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

Further, based on the multiple correspondences between the management of the Company and the People's Government of Liu'an, the Company understands that the issue with the exploration rights to the Zhouji Mine and Fanqiao Mine cannot be resolved until the successful bidder of the Target Stake is determined. The Company has been told that the city and county governments will use their best endeavours to provide the necessary assistance to the successful bidder to resolve the issues relating to the exploration rights to these mines.

Nevertheless, Shareholders should note that there is no guarantee that the Target Company will be able to legalise the transactions relating to the transfer of the exploration rights to the Fanqiao Mine and Zhouji Mine, and/or obtain and/or renew the exploration permits in respect of the 2 iron ore mines and/or all necessary licences, permits and/or approvals relating to exploration and/or exploration activities in a timely manner or at all, as disclosed in Section 2.7 of this Circular titled "*Risk factors associated with the Proposed Acquisition*".

As such, the Company may possibly undertake 1 or more of the following measures to mitigate the risks posed by the issues relating to the exploration rights to the Zhouji Mine and Fanqiao Mine:

- (1) top up the difference between the consideration stated in the relevant contracts relating to the transfer of the exploration rights and the reasonable consideration for the same that have been expressed in the rulings;
- (2) effect the transfer of the exploration rights to the governmental authority, so that thereafter, the consideration amounts that have been paid may be refunded to the Target Company; and/or
- (3) transfer the exploration rights to other third parties.

Further, the Enlarged Group intends to work closely with the relevant PRC governmental authorities on resolving the issues relating to, amongst others, the exploration rights and mitigating the risks to the Enlarged Group.

### 5. MATERIAL CONTRACTS

A list of the material contracts (exceeding the value of RMB5 million) that were entered into by the Target Company as at the Latest Practicable Date is set out below.

No.	Description	Name of the Other Contracting Party	Date of Contract	Value of Contract (RMB'000)	Outstanding Amount <sup>(1)</sup> (RMB'000)
1.	3 million tonnes steel project power supply and distribution engineering 3# 110Kv substation, <i>Construction Contract for Construction Project</i> 300万吨钢铁项目供电工程3#110Kv变电站《建设工程施工合同》	China Energy Engineering Group Anhui No. 1 Electric Power Construction Co., Ltd. (中国能源建设集团安徽电力建设第一工程公司)	18 April 2014	7,580	Nil

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Description	Name of the Other Contracting Party	Date of Contract	Value of Contract (RMB'000)	Outstanding Amount <sup>(1)</sup> (RMB'000)
2.	<p>3 million tonnes steel project power supply and distribution engineering 110Kv substation and neutral grounding point device, <i>Equipment Procurement Contract</i></p> <p>300万吨钢铁项目供电工程110Kv变电站及中性接地点装置《设备采购合同》</p>	<p>XD Jinan Transformer Co., Ltd. (西电济南变压器股份有限公司)</p>	10 October 2013	20,870	8,348
3.	<p>3 million tonnes steel project power supply and distribution engineering closed combination electrical equipment and monitoring device, <i>Equipment Procurement Contract</i></p> <p>300万吨钢铁项目供电工程封闭式组合电器设备及监测装置《设备采购合同》</p>	<p>Beijing Hongda Rixin Electrical Machinery Co., Ltd. (北京宏达日新电机有限公司)</p>	9 September 2013	22,740	4,230
4.	<p>3 million tonnes steel project power supply and distribution engineering microcomputer integrated protection, DC screen and other facilities, <i>Equipment Procurement Contract</i></p> <p>300万吨钢铁项目供电工程微机综保、直流屏等设备《设备采购合同》</p>	<p>Beijing Sifang Automation Co., Ltd. (北京四方继保自动化股份有限公司)</p>	16 November 2013	8,270	Nil

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

<b>No.</b>	<b>Description</b>	<b>Name of the Other Contracting Party</b>	<b>Date of Contract</b>	<b>Value of Contract (RMB'000)</b>	<b>Outstanding Amount<sup>(1)</sup> (RMB'000)</b>
5.	Contract for transferring exploration rights of Fanqiao iron ore 范桥铁矿探矿权出让合同	Huoqiu County Iron Ore Development Co., Ltd. (霍邱县铁矿开发有限责任公司)	31 August 2010	289,598.7	139,598.7
6.	Fanqiao iron ore development engineering, <i>Construction Contract for Construction Project</i> 范桥铁矿开拓工程 《建设工程施工合同》	China Tenth Metallurgy Group Limited Corporation Cangnan Branch (中十冶集团有限公司苍南分公司)	2012	Not Applicable <sup>(2)</sup>	Not Applicable
7.	Fanqiao iron ore shaft engineering, <i>Construction Contract for Construction Project</i> 范桥铁矿竖井工程 《建设工程施工合同》	China Tenth Metallurgy Group Limited Corporation Cangnan Branch (中十冶集团有限公司苍南分公司)	2012	Not Applicable <sup>(2)</sup>	Not Applicable
8.	Construction contract for Fanqiao iron ore vertical shaft freezing engineering 范桥铁矿竖井井筒冻结工程施工合同	China Coal No. 3 Construction (Group) Corporation Ltd. (中煤第三建设(集团)有限公司)	16 May 2012	Not Applicable <sup>(2)</sup>	Not Applicable
9.	Fanqiao iron ore hoister and derrick <i>Contract for the Purchase and Sale of Industrial and Mining Products</i> 范桥铁矿提升机及井架《工矿产品购销合同》	Citic Heavy Industries Co., Ltd. (中信重工机械有限公司)	13 March 2013	8,180	818
10.	Construction contract for Zhouji iron deposit exploration project delegation 周集铁矿床勘探项目委托施工合同	Anhui Rock and Soil Drilling Engineering Co., Ltd. (安徽岩土钻凿工程有限责任公司)	29 August 2012	78,510 <sup>(3)</sup>	13,314

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Description	Name of the Other Contracting Party	Date of Contract	Value of Contract (RMB'000)	Outstanding Amount <sup>(1)</sup> (RMB'000)
11.	General contract for construction of the first phase of industrial water supply in Huoqiu economic development zone and mining area 霍邱经济开发区和矿区工业供水一期工程施工总承包合同	Western Anhui Huai Water Conservancy and Hydropower Construction and Installation Co., Ltd. (皖西淮河水利水电建筑安装有限责任公司)	12 October 2012	86,570	10,192
12.	Commissioned construction management agreement for the first phase of industrial water supply in Huoqiu economic development zone and mining area 霍邱经济开发区和矿区工业供水一期工程委托建设管理协议	Water Supplies Bureau of Huoqiu County People's Government (霍邱县人民政府水务局)	28 September 2012	89,600	Nil
13.	General contract for procurement and construction of Madian staff public rental housing power supply and distribution engineering 马店职工公租房供配电工程采购、施工总承包合同	Hefei Bangneng Power Installation Co., Ltd. (合肥邦能电力安装有限公司)	13 February 2014	14,000	302
14.	Contract for equipment procurement of Madian staff public rental housing power supply and distribution engineering 马店职工公租房供配电工程设备采购承包合同	Anhui Haiyu Electric Appliance Co. Ltd. (安徽海宇电器有限公司)	2 June 2015	10,740	Nil

**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

No.	Description	Name of the Other Contracting Party	Date of Contract	Value of Contract (RMB'000)	Outstanding Amount <sup>(1)</sup> (RMB'000)
15.	<p>Madian staff public rental housing five buildings, Construction Contract for Construction Project (#1, #2, #5, #8, #11)                      马店职工公租房五栋楼《建设工程施工合同》(#1、#2、#5、#8、#11)</p>	<p>Shanghai Dongkang Constructional Engineering Co., Ltd.                      (上海东康建筑工程有限公司)</p>	20 June 2012	43,359.3	2,166
16.	<p>Madian staff public rental housing three buildings and canteen, Construction Contract for Construction Project (#4, #7, #10)                      马店职工公租房三栋楼及食堂《建设工程施工合同》(#4、#7、#10)</p>	<p>Shanghai Dongkang Constructional Engineering Co., Ltd.                      (上海东康建筑工程有限公司)</p>	5 June 2013	36,588.093	Nil
17.	<p>Madian staff public rental housing common auxiliary engineering, Construction Contract for Construction Project                      马店职工公租房公辅工程《建设工程施工合同》</p>	<p>Shanghai Dongkang Constructional Engineering Co., Ltd.                      (上海东康建筑工程有限公司)</p>	December 2013	10,530 <sup>(3)</sup>	Nil
18.	<p>Land reclamation cost regulatory agreement                      土地复垦费用监管协议</p>	<p>Land Bureau of Huoqiu County and Huoqiu branch of China Construction Bank                      (霍邱县国土局、建行霍邱支行)</p>	11 August 2014	976.278 (deposit to be paid in the first year) + 244.069 (further deposit payments to be incurred annually as long as the Steel Project is operating) <sup>(4)</sup>	Nil

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## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

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### Notes:

- (1) This is based on information provided to the Group by the Vendor for the Group's internal assessment purposes.
- (2) As advised by PRC Counsel, Zhong Xin Law Office, these contracts do not have an express contractual value as the Target Company will be charged on an ad-hoc basis as and when work or services are rendered by the relevant contractor(s). These contracts have been included in the list of material contracts entered into by the Target Company as the Target Company had provided these contracts to PRC Counsel for their review of contracts worth more than RMB5 million in value.
- (3) Based on information provided by the Target Company, the Company understands that this sum is an estimated figure.
- (4) As advised by PRC Counsel, Zhong Xin Law Office, the deposit will be refunded to the Target Company once the Target Company restores the land to its original state when it is no longer operating the Steel Project. The Company is unaware of whether the Target Company has made the necessary payments.

## 6. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed below, after making reasonable enquiries, none of the Directors are aware of any legal or arbitration proceedings to which the Target Company is a party or which is pending or contemplated, the outcome of which in the opinion of the Directors may have a material and adverse effect on the financial position of the enlarged group (comprising the Target Company and the Group) taken as a whole.

### (A) Contractual disputes

#### *Settled cases*

On 15 September 2015, Shanghai Dongkang Construction Engineering Co., Ltd (上海东康建筑工程有限公司) had submitted 2 separate claims against the Target Company for RMB66,464,226.64 and RMB33,942,574.34 respectively to the Intermediate People's Court of Liu'an City in the PRC. The dispute had arisen from a construction contract entered into between Shanghai Dongkang Construction Engineering Co., Ltd (上海东康建筑工程有限公司) and the Target Company. Further to the court proceedings, the Target Company had made the relevant payments to Shanghai Dongkang Construction Engineering Co., Ltd (上海东康建筑工程有限公司) in February 2016.

On 12 September 2016, Schindler (Xuchang) Elevator Co., Ltd. (西继迅达(许昌)电梯有限公司) had submitted a claim against the Target Company for RMB2,983,000 to the People's Court of Huoqiu County, Anhui Province in the PRC. The dispute had arisen from a sale and purchase agreement entered into between Schindler (Xuchang) Elevator Co., Ltd. (西继迅达(许昌)电梯有限公司) and the Target Company. The parties had agreed to settle in September 2016 and Schindler (Xuchang) Elevator Co., Ltd. (西继迅达(许昌)电梯有限公司) withdrew its claim after the Target Company made payment of the contract amount.

On 12 February 2017, Ningbo Metallurgical Survey and Design Institute Co., Ltd. (宁波冶金勘察设计院股份有限公司) had submitted a claim against the Target Company for RMB2,731,740.61 to the People's Court of Huoqiu County, Anhui Province in the PRC. In March 2017, the case was settled under the auspices of the court. The Target Company had returned to Ningbo Metallurgical Survey and Design Institute Co., Ltd (宁波冶金勘察设计院股份有限公司) the deposit and the other contract payments, and the parties continued to perform their obligations thereunder.

#### *Unsettled cases*

On 25 January 2017, Hefei Rong Yida Trading Co., Ltd (合肥荣意达商贸有限公司) had submitted a claim against China Coal No.3 Construction (Group) Co., Ltd. (中煤第三建设(集团)有限公司) and the Target Company for RMB1,079,944.11 to the People's Court of Huoqiu County, Anhui Province in the PRC. The case involves a claim for payment under an engineering / equipment contract entered into with the claimant, and is currently on-going.

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## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

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### (B) Employment disputes

The Company has been advised by PRC Counsel, Zhong Xin Law Office, that the Target Company had been the subject of several employment disputes previously. 4 former employees had been made separate claims for financial compensation to the Labour Arbitration Commission (劳动仲裁委员会). Further to their investigations, the Labour Arbitration Commission (劳动仲裁委员会) agreed with the complainants, and the Target Company has made the relevant payments.

## 7. SUMMARY FINANCIAL INFORMATION

As part of the bidding process on the Target Company, the Group had been furnished with the unaudited management accounts of the Target Company for the financial years ended 31 December 2016, 2015 and 2014.

Below are the unaudited financial statements of the Target Company for the financial years ended 31 December 2016, 2015 and 2014, which were prepared in accordance with Chinese Accounting Standards.

Since its incorporation, the Target Company had only commenced constructing the Steel Project and had not commenced any operations, and accordingly there has been no revenue earned by the Target Company to date. As the construction of the Steel Project had ceased in 2014, the Target Company has been dormant in 2015 and 2016.

### Unaudited Statement of Profit or Loss

For the financial years ended 31 December 2016, 2015 and 2014

	2016	2015	2014
	RMB'000	RMB'000	RMB'000
Revenue	–	–	–
Cost of sales	–	–	–
Gross profit	–	–	–
Other income <sup>(1)</sup>	–	463	34,706
Administrative expenses <sup>(2)</sup>	–	–	(77,836)
Finance costs	–	–	(198)
<b>Profit (Loss) before tax</b>	–	463	(43,328)
Income tax expenses	–	–	–
<b>Profit (Loss) for the year</b>	–	463	(43,328)

#### Notes:

- (1) Other income relates to interest earned on bank balances placed with financial institutions.
- (2) Expenses incurred in relation to the construction of the Steel Project.

## APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY

### Unaudited Statement of Financial Position As at 31 December 2016, 2015 and 2014

	2016 RMB'000	2015 RMB'000	2014 RMB'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	412,833	774,024	1,175,832
Trade and other receivables	374,845	348,678	18,246
Inventories	167	174	179
<b>Total current assets</b>	<b>787,845</b>	<b>1,122,876</b>	<b>1,194,437</b>
<b>Non-current assets</b>			
Property, plant and equipment	3,593,831	3,345,972	3,225,978
Other asset	–	–	300,000
	<b>3,593,831</b>	<b>3,345,972</b>	<b>3,525,978</b>
<b>Total assets</b>	<b>4,381,676</b>	<b>4,468,848</b>	<b>4,720,415</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	1,427,616	1,533,285	1,460,398
Borrowings and notes payables	13,585	4,044	339,505
Provision for taxation	22,186	13,230	2,686
<b>Total current liabilities</b>	<b>1,463,387</b>	<b>1,550,559</b>	<b>1,802,589</b>
<b>Total liabilities</b>	<b>1,463,387</b>	<b>1,550,559</b>	<b>1,802,589</b>
<b>Net assets</b>	<b>2,918,289</b>	<b>2,918,289</b>	<b>2,917,826</b>
<b>Capital reserves</b>			
Share capital	3,000,000	3,000,000	3,000,000
Retained earnings	(81,711)	(81,711)	(82,174)
<b>Total equity</b>	<b>2,918,289</b>	<b>2,918,289</b>	<b>2,917,826</b>



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**APPENDIX I – INFORMATION RELATING TO THE TARGET COMPANY**

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**Unaudited Statement of Cash Flows  
As at 31 December 2016, 2015 and 2014**

	2016	2015	2014
	RMB'000	RMB'000	RMB'000
Net cash inflow/ (outflow) from operating activities	–	463	(48,603)
Net cash outflow from investing activities	(361,191) <sup>(1)</sup>	(402,271) <sup>(1)</sup>	(170,901)
Cash inflow from financing activities	–	–	–
Net decrease in cash and cash equivalent	(361,191)	(401,808)	(219,504)
Cash and cash equivalents at the beginning of the year	774,024	1,175,832	1,395,336
Cash and cash equivalents at the beginning of the year	412,833	774,024	1,175,832

**Note:**

(1) This relates to payments made to suppliers/contractors in relation to the construction works done prior to 2014.

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**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

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December 2, 2017

The Board of Directors  
Delong Holdings Limited  
55 Market Street  
Level 10  
Singapore 048941

Dear Sirs,

**Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group Included in a Circular to Shareholders of Delong Holdings Limited**

We have compiled the Unaudited Pro Forma Financial Information of the Enlarged Group consisting Delong Holdings Limited (“Delong” or the “Company”) and its subsidiaries (“Delong Group” or “Group”), Anhui Shoukuang Dachang Metal Materials Co., Ltd (“Anhui Shoukuang” or the “Target Company”) and PT. Dexin Steel Indonesia (“JV”) (collectively, the “Enlarged Group”) based on information you have provided. The Unaudited Pro Forma Financial Information of the Enlarged Group comprises the unaudited pro forma statement of financial position as at December 31, 2016, the unaudited pro forma statement of profit or loss and other comprehensive income for the financial years ended December 31, 2016, 2015 and 2014, the unaudited pro forma statement of cash flows for the financial year ended December 31, 2016, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-3 to II-21 of the Circular dated December 2, 2017 to be issued in connection with the proposed acquisition of 51% equity stake in Anhui Shoukuang by Delong’s indirect wholly-owned subsidiary, Delong Steel Limited and the proposed incorporation of a joint venture company named PT. Dexin Steel Indonesia by Delong’s indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd. The applicable criteria on the basis of which the Management has compiled the Unaudited Pro Forma Financial Information is described in Note 4 (“Basis of Preparation”).

The Unaudited Pro Forma Financial Information of the Enlarged Group has been compiled by the Management to illustrate the impact of the event or transaction as set out in Note 2 of the Unaudited Pro Forma Financial Information on:

- (i) the unaudited pro forma financial position of the Enlarged Group as at December 31, 2016 as if the event or transaction had occurred on December 31, 2016;
- (ii) the unaudited pro forma financial performance of the Enlarged Group for the financial years ended December 31, 2016, 2015 and 2014 as if the event or transaction had occurred on January 1, 2014; and
- (iii) the unaudited pro forma cash flows of the Enlarged Group for the financial year ended December 31, 2016 as if the event or transaction had occurred on January 1, 2016.

We performed this compilation engagement in accordance with Singapore Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the Unaudited Pro Forma Financial Information in accordance with the Basis of Preparation as described in Note 4 of the Unaudited Pro Forma Financial Information. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

This Unaudited Pro Forma Financial Information and the accuracy and completeness of the information used to compile it are your responsibility.

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**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

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Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the Unaudited Pro Forma Financial Information. Accordingly, we do not express an audit opinion or a review conclusion on whether the Unaudited Pro Forma Financial Information is prepared in accordance with the Basis of Preparation as described in Note 4 of the Unaudited Pro Forma Financial Information.

This Unaudited Pro Forma Financial Information has been prepared for inclusion in the circular to the shareholders (“Circular”) of Delong in connection with the proposed acquisition of 51% equity stake in Anhui Shoukuang by Delong’s indirect wholly-owned subsidiary, Delong Steel Limited and the proposed incorporation of a joint venture company named PT. Dexin Steel Indonesia by Delong’s indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd and may not be suitable for any other purpose.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants

Singapore

December 2, 2017

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**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

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**UNAUDITED ENLARGED GROUP PRO FORMA STATEMENT OF FINANCIAL POSITION  
As at December 31, 2016**

	2016 RMB'000
<b><u>ASSETS</u></b>	
<b>Current assets</b>	
Cash and cash equivalents	-
Bank balances pledged	1,571,779
Held for trading investments	725,943
Held-to-maturity financial asset	371,050
Trade and other receivables	935,807
Inventories	552,685
Other assets	681,124
Total current assets	4,838,388
<b>Non-current assets</b>	
Available-for-sale financial assets	203,988
Investments in subsidiaries	-
Investment in an associate	4,001
Investment in a joint venture	452,250
Property, plant and equipment	6,490,075
Loan to a joint venture	2,412,000
Intangible asset	1,440
Goodwill	365,697
Deferred tax assets	6,508
Total non-current assets	9,939,959
<b>Total assets</b>	<b>14,774,347</b>

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**UNAUDITED ENLARGED GROUP PRO FORMA STATEMENT OF FINANCIAL POSITION  
As at December 31, 2016**

	2016 RMB’000
<b><u>LIABILITIES AND EQUITY</u></b>	
<b>Current liabilities</b>	
Trade and other payables	4,404,296
Borrowings and notes payables	5,639,571
Provision for taxation	62,065
Total current liabilities	10,105,932
<b>Non-current liabilities</b>	
Borrowings	204,906
Other payables	141,611
Deferred tax liabilities	23,249
Total non-current liabilities	369,766
<b>Total liabilities</b>	10,475,698
<b>Net assets</b>	4,298,649
 <b>Capital reserves and non-controlling interests</b>	
Share capital	406,644
Capital reserve	261,613
Fair value reserve	(304)
Currency translation reserve	23,424
Statutory reserve	141,072
Retained earnings	1,709,422
Equity attributable to owners of the Company	2,541,871
Non-controlling interests	1,756,778
<b>Total equity</b>	4,298,649

*The accompanying notes form an integral part of this Unaudited Pro Forma Financial Information of the Enlarged Group.*

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**UNAUDITED ENLARGED GROUP PRO FORMA STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

**For the financial years ended December 31, 2016, 2015 and 2014**

	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	9,874,981	6,952,304	9,523,568
Cost of sales	<u>(8,410,749)</u>	<u>(6,931,311)</u>	<u>(8,863,497)</u>
Gross profit	1,464,232	20,993	660,071
Other income	88,948	85,894	129,740
Other losses - net	(676,832)	(15,509)	3,242
Distribution and marketing costs	(76,576)	(68,962)	(55,756)
Administrative expenses	(260,351)	(266,309)	(382,957)
Finance costs	(330,610)	(278,713)	(329,379)
Share of loss of an associate	(339)	(237)	(323)
<b>Profit (Loss) before tax</b>	208,472	(522,843)	24,638
Income tax expenses	(99,398)	(8,204)	(75,853)
<b>Profit (Loss) for the year</b>	<u>109,074</u>	<u>(531,047)</u>	<u>(51,215)</u>
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences	6,753	(1,320)	(486)
Fair value change on available-for-sale financial assets	22,794	(12,243)	(1,986)
<b>Other comprehensive income (loss) for the year, net of tax</b>	<u>29,547</u>	<u>(13,563)</u>	<u>(2,472)</u>
<b>Total comprehensive income (loss) for the year</b>	<u>138,621</u>	<u>(544,610)</u>	<u>(53,687)</u>
<b>Loss attributable to:</b>			
Owners of the Company	112,781	(492,858)	(23,958)
Non-controlling interests	(3,707)	(38,189)	(27,257)
	<u>109,074</u>	<u>(531,047)</u>	<u>(51,215)</u>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company	138,421	(502,552)	(26,430)
Non-controlling interests	200	(42,058)	(27,257)
	<u>138,621</u>	<u>(544,610)</u>	<u>(53,687)</u>
<b>Profit (Losses) per share</b> (expressed in RMB per share)			
- Basic	<u>1.02</u>	<u>(4.47)</u>	<u>(0.22)</u>
- Diluted	<u>1.02</u>	<u>(4.47)</u>	<u>(0.22)</u>

*The accompanying notes form an integral part of this Unaudited Pro Forma Financial Information of the Enlarged Group.*

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**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

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**UNAUDITED ENLARGED GROUP PRO FORMA STATEMENT OF CASH FLOWS**  
For the financial year ended December 31, 2016

	2016 RMB'000
<b>Operating activities</b>	
Profit for the year	109,074
Adjustments for:	
Income tax expenses	99,398
Depreciation	459,735
Amortisation of intangible assets	5,760
Impairment loss for property, plant and equipment	600,000
Allowance for inventories - net	37,867
Allowance for doubtful debts	2,903
Loss on disposal of property, plant and equipment	13,318
Refundable deposit written off	20,791
Fair value loss on held for trading investments	825
Impairment loss for available-for-sale financial assets	45,000
Share of loss of an associate	339
Loss on disposal of subsidiary	3,416
Interest income	(72,801)
Interest expenses	330,610
Unrealised exchange differences	(42,027)
Operating cash flow before movements in working capital	1,614,208
Bank balances pledged	(133,902)
Receivables	43,289
Inventories	(123,489)
Payables (Notes A and B)	96,184
Cash generated from operations	1,496,290
Income taxes paid	(27,534)
Net cash from operating activities	1,468,756

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**UNAUDITED ENLARGED GROUP PRO FORMA STATEMENT OF CASH FLOWS**  
For the financial year ended December 31, 2016

	2016 RMB'000
<b>Investing activities</b>	
Payments for property, plant and equipment	(69,451)
Proceeds from disposal of available-for-sale financial assets	14,696
Proceeds from disposal of property, plant and equipment	11,077
Purchase of investments held for trading	(493,895)
Purchase of available-for-sale financial assets	(83,351)
Purchase of held-to-maturity financial assets	(171,050)
Acquisition of a subsidiary (Note B)	(969,432)
Contribution to a joint venture (Note A)	(2,004,975)
Disposal of a subsidiary	(25,475)
Interest received	72,801
Net cash used in investing activities	(3,719,055)
<b>Financing activities</b>	
Proceeds from borrowings from banks, non-controlling shareholders and other financial institutions	4,906,064
Repayment of borrowings from banks and other financial institutions	(2,935,052)
Interest paid	(230,361)
Net cash from financing activities	1,740,651
Net decrease in cash and cash equivalents	(509,648)
Cash and cash equivalents at the beginning of the year	484,864
Effects of currency translation on cash and cash equivalents	24,784
<b>Cash and cash equivalents at the end of the year</b>	-

Note A

The Group’s contribution to a joint venture with an aggregate amount of RMB2.865 billion of which RMB0.859 billion was outstanding and included in other payables (Note 4.4 (f)).



**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**UNAUDITED ENLARGED GROUP PRO FORMA STATEMENT OF CASH FLOWS**  
For the financial year ended December 31, 2016

Note B

The Proposed Acquisition as set out in Note 2.1 is assumed to have occurred at January 1, 2016 for the purpose of unaudited pro forma cash flow statement of the Enlarged Group. The recognised amounts of identifiable assets acquired and liabilities of Anhui Shoukuang assumed at the date of acquisition and based on the assumption in Note 4.1 (c) are as follows:

	2016 RMB'000
<b>Current assets</b>	
Cash and cash equivalent	412,833
Trade and other receivables	374,845
Inventories	167
	787,845
<b>Non-current assets</b>	
Property, plant and equipment	4,260,802
	5,048,647
<b>Current liabilities</b>	
Trade and other payables	(1,427,616)
Borrowings and notes payables	(13,585)
Provision for taxation	(22,186)
	(1,463,387)
<b>Net assets acquired</b>	3,585,260
<b>Goodwill Arising from the Proposed Acquisition</b>	
Consideration transferred:	
Cash	1,379,765
Deferred consideration *	814,414
Total	2,194,179
Non-controlling interest	1,756,778
	3,950,957
Less: Fair value of net assets acquired	(3,585,260)
	365,697
<b>Net cash flow outflow arising from Proposed Acquisition</b>	
Consideration paid in cash	(1,379,765)
Less: Cash and cash equivalent balances acquired	412,833
Effects on pro forma adjustments arising from the different basis of preparation of pro forma statement of financial position and income statement	(2,500)
Net cash flow outflow arising from Proposed Acquisition	(969,432)

\* The deferred consideration was outstanding as of December 31, 2016 and included in other payables.

*The accompanying notes form an integral part of this Unaudited Pro Forma Financial Information of the Enlarged Group.*

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## APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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### NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION For the financial years ended December 31, 2016, 2015 and 2014

#### 1 GENERAL INFORMATION

##### 1.1 Background of Delong Holdings Limited

Delong Holdings Limited (“Delong Holdings or the Company”) (Registration Number 199705215G) is incorporated in Singapore with its principal place of business and registered office at 55 Market Street, Level 10, Singapore 048941. The Company is listed on the Singapore Exchange Securities Trading Limited. The Unaudited Pro Forma Financial Information of the Enlarged Group set out in this report is expressed in Chinese Renminbi.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 3 to the Unaudited Pro Forma Financial Information of the Enlarged Group.

##### 1.2 Background of Anhui Shoukuang Metal Materials Co., Ltd.

Anhui Shoukuang Dachang Metal Materials Co., Ltd (“Anhui Shoukuang”) was incorporated in the People’s Republic of China (“PRC”) on 24 March 2010 and is based in the Anhui Huoqiu Economic Development Zone (安徽霍邱经济开发区) in PRC. Anhui Shoukuang is a limited liability company lawfully established and validly existing under the laws of the PRC with a registered and paid-up capital of RMB3 billion, of which 51% is owned by Beijing Shougang Mining Investment Co., Ltd, and the remaining 49% is owned by Anhui Dachang Mining Group (安徽大昌矿业集团有限公司).

Anhui Shoukuang will be principally engaged in the manufacture and sale of steel bars and wire rods.

Anhui Shoukuang was in the midst of constructing an integrated steel plant, which upon completion, was expected to result in the Target Company generating an annual production capacity of approximately 3.05 million tonnes.

##### 1.3 Background of PT. Dexin Steel Indonesia

On June 12, 2017, the Group’s indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd 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 they shall inter alia invest and undertake the construction of a steel plant at Tsingshan Park with an annual capacity of 3.5 million tonnes and incorporate a joint venture company named PT. Dexin Steel Indonesia for such purpose.

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## APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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### NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION For the financial years ended December 31, 2016, 2015 and 2014

## 2 Proposed Acquisition and Proposed Joint Venture

### 2.1 Proposed Acquisition

On May 20, 2017, the Company’s subsidiary, Delong Steel Limited (“Delong Steel”) entered into a binding memorandum of understanding (the “MOU”) with Beijing Shougang in relation to the proposed acquisition by Delong Steel of 51% of the equity stake in Anhui Shoukuang Dachang Metal Materials Co., Ltd (“Anhui Shoukuang”) (the “Target Company”) from Beijing Shougang (“the Proposed Acquisition”).

As the Beijing Shougang’s 51% equity stake in the Target Company (the “Target Stake”) is deemed to be a PRC state-owned asset, Beijing Shougang was required to entrust a legally qualified third party authority with auditing and assessing the Target Company and the Target Stake in accordance with the applicable PRC laws and approved asset assessment procedures (the “Audit and Assessment Procedures”). Based on the results of the Audit and Assessment Procedures, Beijing Shougang shall then be allowed to transfer the Target Stake pursuant to the Bidding Exercise at a price not lower than that derived from the results thereof.

Under the MOU, it was agreed that after completion of the Target Company due diligence and the Audit and Assessment Procedures, Delong Steel shall proceed to make a bid for the Target Stake at a price not lower than the minimum bid price listed by the Vendor (subject to such listed minimum bid price not being higher than the approved results of the Audit and Assessment Procedures). As the Target Stake is considered state-owned property in the PRC, the Proposed Acquisition is subject to an open tender process and there will be other bidders participating in the Bidding Exercise.

Upon completion of the acquisition, the Company shall own 51% of the equity stake of the Target Company.

### 2.2 Proposed Joint Venture

On June 12, 2017, the Group’s indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd 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) (“Shanghai Decent”) and PT. Indonesia Morowali Industrial Park (印尼经贸合作区青山园区开发有限公司) (“Morowali”). 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 Joint Venture will enable the Group to leverage on Shanghai Decent’s and Morowali’s extensive experience and expertise in the steel business in Indonesia, and also facilitate the Group’s expansion into the ASEAN markets.

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION  
For the financial years ended December 31, 2016, 2015 and 2014**

**3. Details of the Enlarged Group**

Upon completion of the proposed transactions, the Company will have the following entities

Name of subsidiary	Country of incorporation	Effective Holding	Principal activities
<u>Held by the Company</u>			
Asia Paragon International Limited	British Virgin Islands	100%	Investment holding
Dexin Steel Pte Ltd	Singapore	100%	Procurement and sale of iron ore
Delong Asset Management (Hong Kong) Limited	Hong Kong	100%	Assets Management
<u>Held by Asia Paragon International Limited</u>			
Delong Steel Limited	PRC	100%	Production and sales of hot-rolled
Dezhong International Financing Leasing Co., Ltd	PRC	100%	Finance leasing activities
<u>Held by Dexin Steel Pte Ltd</u>			
Xingtai Xinlong Coal-Gas Co., Ltd	PRC	100%	Coal gas recycling
Xingtai Delong Machinery and Mill Roll Co., Ltd	PRC	100%	Design, development, manufacturing and sale of large
Dexin Holdings Pte Ltd	Singapore	100%	Investment holding

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION  
For the financial years ended December 31, 2016, 2015 and 2014**

**3. Details of the Enlarged Group (cont’d)**

Name of subsidiary	Country of incorporation	Effective Holding	Principal activities
<u>Held by Delong Steel Limited</u>			
Delong International Trading (Tianjin) Co., Ltd (Formerly known as Tianjin Qiruicheng International Trading Co., Ltd)	PRC	100%	Investment in resource-related projects and trading in steel and steel-related products
Beijing Longyuan Weida Energy Technology Co., Ltd	PRC	100%	Technology development, technology advisory and technology related investments
Delong Steel Singapore Projects Pte Ltd	Singapore	100%	Investment holding
Anhui Shoukuang Dachang Metal Materials Co., Ltd	PRC	51%	Production and sale of bar and wire rods
<u>Held by Delong International Trading (Tianjin) Co., Ltd</u>			
Laiyuan County Aoyu Steel Co., Ltd	PRC	100%	Production and sale of hot-rolled coils

Name of joint venture	Country of incorporation	Effective Holding	Principal activities
<u>Held by Delong Steel Singapore Projects Pte Ltd</u>			
PT. Dexin Steel Indonesia	Indonesia	45%	Production and sale of slab, wire rod and bar

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## APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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### NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION For the financial years ended December 31, 2016, 2015 and 2014

#### 4. Basis of preparation

- 4.1 The Unaudited Pro Forma Financial Information of the Enlarged Group, which has been prepared, for illustrative purposes only and based on certain assumptions and after making certain adjustments on:
- (a) The unaudited pro forma financial position of the Enlarged Group as at December 31, 2016, as if the event or transaction had occurred on December 31, 2016;
  - (b) The unaudited pro forma financial performance of the Enlarged Group for the financial years ended December 31, 2016, 2015, and 2014 as if the event or transaction had occurred on January 1, 2014; and
  - (c) The unaudited pro forma cash flows of the Enlarged Group for the financial years ended December 31, 2016, as if the event or transaction had occurred on January 1, 2016.
- 4.2 The Unaudited Pro Forma Financial Information of the Enlarged Group, because of its nature, may not give a true picture of the Enlarged Group’s actual financial positions, financial results and cash flows and is not necessarily indicative of the results of operations or related effects on financial position that would have been obtained had the Enlarged Group actually existed earlier.
- 4.3 The Unaudited Pro Forma Financial Information of the Enlarged Group for the financial years ended 31 December 31, 2016, 2015 and 2014 have been compiled based on the following:
- (a) The audited consolidated financial statements of the Group for the financial years ended 31 December 31, 2016, 2015 and 2014 were prepared in accordance with Singapore Financial Reporting Standards, and audited by Deloitte & Touche LLP in accordance with Singapore Standards on Auditing. The auditors’ reports on the financial statements were not subject to any qualification.
  - (b) The unaudited management accounts of Anhui Shoukuang for the financial years ended 31 December 31, 2016, 2015 and 2014 were prepared in accordance with International Financial Reporting Standards for the purpose of inclusion in the Circular.
  - (c) On June 12, 2017, the Group’s indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd entered into a joint venture agreement with Shanghai Decent and Morowali (“Proposed Joint Venture”). The Group’s contribution to the Proposed Joint Venture is approximately RMB2.864 billion, comprising RMB0.452 billion contribution to paid-up capital of the JV and RMB2.412 billion in shareholders’ loan. The shareholders’ loan is assumed to be interest free.
- 4.4 The following key assumptions and adjustments were made on the Unaudited Pro Forma Financial Information of the Enlarged Group:
- (a) The purchase consideration in respect of the proposed acquisition is estimated to be RMB2.19 billion which represents the higher range of the indicative bidding range, approximately 120% of the valuer’s valuation. The valuer’s valuation is derived based on the latest unaudited net asset value of Anhui Shoukuang for the financial year ended December 31, 2016 and adjusted for the fair value gain of the property. The purchase consideration is satisfied by the Company’s internal resources of RMB2.19 billion.

The consideration of RMB814.41 million was outstanding as of December 31, 2016 and included in other payables. This may differ from the actual purchase consideration as it will depend on the final bid price of the Target Stake at the date of the bidding exercise to be conducted in due course. Accordingly, the deemed consideration determined on the actual completion date may differ from the assumption used.

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## APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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### NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION For the financial years ended December 31, 2016, 2015 and 2014

#### 4. Basis of preparation (cont’d)

- (b) The difference between the cost of acquisition and the fair values of the net assets acquired is accounted as goodwill/bargain purchase. Goodwill is not amortised but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed in a subsequent period.

The fair value of the identifiable assets acquired and the liabilities assumed in the acquisition is assumed to be the net assets of Anhui Shoukuang as at the acquisition date adjusted for the fair value gain of the property, for the purposes of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group. The fair value gain of the property is assumed to be RMB666.97 million as described below. This may differ from the fair values of the net assets as at the actual date of completion of the Proposed Acquisition. The Unaudited Pro Forma Financial Information excludes the effect of any deferred tax liability arising from the fair value adjustment. As the actual goodwill/bargain purchase will have to be determined at the completion of the Proposed Acquisition, the actual goodwill/bargain purchase could be materially different from the amount derived based on the assumption used.

Based on the independent valuation report dated on July 28, 2017, the fair value gain of the property amounts to RMB666.97 million. The valuation of the property was arrived using Assets based approach.

The difference between the cost of acquisition and the fair values of the net assets acquired is assumed to be a goodwill of RMB365.70 million. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, any goodwill arising from the acquisition is assumed not to be impaired.

- (c) The acquisition related costs relating to the Proposed Acquisition are assumed to be RMB2.5 million. This may differ from the actual cost at the completion of the Proposed Acquisition.
- (d) Certain differences exist between IFRS and SFRS which are neither material nor relevant to the Unaudited Pro Forma Financial Information. Management of the Company has assessed and determined that the differences between IFRS and SFRS in respect of the financial statements of Anhui Shoukuang is not significant.
- (e) The Group’s contributions to the Proposed Joint Venture of RMB2.864 billion are satisfied by the Company’s internal resources of RMB0.859 billion and bank borrowings of RMB2.005 billion. The consideration of RMB0.859 billion was outstanding as of December 31, 2016 and included in other payables. The interest expense arising from bank borrowings is assumed to be RMB0.100 billion, based on an interest rate of 5% per annum.

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## APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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### NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION For the financial years ended December 31, 2016, 2015 and 2014

#### 4. Basis of preparation (cont’d)

4.5 The Company expects that the Target Company will require approximately RMB6.9 billion in order to complete the construction and equipment installation of the integrated steel plant to be operated by the Target Company upon the completion of its construction (“Steel Project”) and to commence operations. The following factors were taken into consideration in arriving at the estimated figure of RMB6.9 billion:

- (a) the aggregate value of existing contracts with contractors and equipment suppliers for the construction and equipment installation respectively of the Steel Project, being approximately RMB6.47 billion;
- (b) miscellaneous expenses, including but not limited to expenses in relation to the conduct of feasibility studies, procurement of professional technical advice, prospecting expenses in relation to public infrastructure around the Steel Project such as roads, and power and water supply engineering, being approximately RMB260.91 million; and
- (c) the exploration licence fees in respect of the Fanqiao Mine and Zhouji Mine as well as the compensation fees applicable thereto, being approximately RMB163.93 million.

The estimated amount required of RMB6.9 billion will be financed by the Target Company through one or more of the following methods:

- (a) project financing, for example, Engineering, procurement and construction (“EPC”) financing and bank project financing facilities;
- (b) capital contribution from shareholders;
- (c) external bank borrowings; and/or
- (d) further share issuances

The Target Company had entered into EPC contracts with the existing contractors of the Steel Project, and the effectiveness of such contracts are subject to and conditional upon the Group successfully acquiring the Target Stake.

Based on these EPC contracts, the EPC contractors will provide EPC financing of up to 50% of the total construction costs amounting to approximately RMB3.5 billion at the outset, and such amounts will only be repayable by the Target Company within 2 years after the Steel Project commence operations. The Target Company intends to repay such EPC financing when they fall due, using cash generated from operations and proceeds from long-term project financing facilities.

Assuming that the remaining amount required of approximately RMB3.5 billion is to be fully funded by the shareholders, the Company expects Anhui Dachang Mining Group Co., Ltd (安徽大昌矿业集团有限公司) (“Anhui Dachang”) and the Group to contribute to such amount in proportion to their shareholdings in the Target Company. Accordingly, the Group’s contribution will be approximately RMB1.75 billion (based on the Group’s pro-rated contribution as a 51% shareholder of the Target Company following completion of the Proposed Acquisition).

The costs relating to the Steel Project and the related contribution from the Group are not included in the Unaudited Pro Forma Financial Information of the Enlarged Group.



**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION**  
For the financial years ended December 31, 2016, 2015 and 2014

**5. Statement of adjustments**

5.1 Unaudited enlarged group pro forma statement of financial position for the year ended December 31, 2016

	Summation of Financial Information RMB'000		Pro Forma Adjustment RMB'000	Pro Forma Financial Information RMB'000
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	1,379,765	(i)	(1,379,765)	-
Bank balances pledged	1,571,779			1,571,779
Held for trading investments	725,943			725,943
Held-to-maturity financial asset	371,050			371,050
Trade and other receivables	935,807			935,807
Inventories	552,685			552,685
Other assets	681,124			681,124
Total current assets	<u>6,218,153</u>		<u>(1,379,765)</u>	<u>4,838,388</u>
<b>Non-current assets</b>				
Available-for-sale financial assets	203,988			203,988
Investments in subsidiaries	-			-
Investment in an associate	4,001			4,001
Investment in a joint venture	-	(i)	452,250	452,250
Property, plant and equipment	5,823,104	(i)	666,971	6,490,075
Loan to a joint venture	-	(i)	2,412,000	2,412,000
Intangible asset	1,440			1,440
Goodwill	-	(i)	365,697	365,697
Deferred tax assets	6,508			6,508
Total non-current assets	<u>6,039,041</u>		<u>3,896,918</u>	<u>9,935,959</u>
<b>Total assets</b>	<u><u>12,257,194</u></u>		<u><u>2,517,153</u></u>	<u><u>14,774,347</u></u>

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION**  
For the financial years ended December 31, 2016, 2015 and 2014

**5. Statement of adjustments (cont’d)**

5.1 Unaudited Enlarged Group pro forma statement of financial position for the year ended December 31, 2016

	Summation of Financial Information RMB’000		Pro Forma Adjustment RMB’000	Pro Forma Financial Information RMB’000
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Trade and other payables	2,728,107	(i)	1,676,189	4,404,296
Borrowings and notes payables	3,634,596	(i)	2,004,975	5,639,571
Provision for taxation	62,065		-	62,065
<b>Total current liabilities</b>	<u>6,424,768</u>		<u>3,681,164</u>	<u>10,105,932</u>
<b>Non-current liabilities</b>				
Borrowings	204,906		-	204,906
Other payables	141,611		-	141,611
Deferred tax liabilities	23,249		-	23,249
<b>Total non-current liabilities</b>	<u>369,766</u>		<u>-</u>	<u>369,766</u>
<b>Total liabilities</b>	<u>6,794,534</u>		<u>3,681,164</u>	<u>10,475,698</u>
<b>Net assets</b>	<u>5,462,660</u>		<u>(1,164,011)</u>	<u>4,298,649</u>
<b>Capital reserves and non-controlling interests</b>				
Share capital	3,406,644	(i)	(3,000,000)	406,644
Capital reserve	261,613		-	261,613
Fair value reserve	(304)		-	(304)
Currency translation reserve	23,424		-	23,424
Statutory reserve	141,072		-	141,072
Retained earnings	1,630,211	(i)	79,211	1,709,422
Equity attributable to owners of the Company	5,462,660		(2,920,789)	2,541,871
Non-controlling interests	-	(i)	1,756,778	1,756,778
<b>Total equity</b>	<u>5,462,660</u>		<u>(1,164,011)</u>	<u>4,298,649</u>

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION**  
**For the financial years ended December 31, 2016, 2015 and 2014**

**5. Statement of adjustments (cont’d)**

5.2 Unaudited Enlarged Group pro forma statement of comprehensive income for the year ended December 31, 2016

	Summation of Financial Information RMB’000	Pro Forma Adjustments	Pro Forma Financial Information RMB’000
Revenue	9,874,981	-	9,874,981
Cost of sales	(8,410,749)	-	(8,410,749)
Gross profit	1,464,232	-	1,464,232
Other income	88,948	-	88,948
Other losses – net	(676,832)	-	(676,832)
Distribution and marketing costs	(76,576)	-	(76,576)
Administrative expenses	(260,351)	-	(260,351)
Finance costs	(230,361)	(i) (100,249)	(330,610)
Share of loss of an associate	(339)	-	(339)
<b>Profit before tax</b>	<b>308,721</b>	<b>(100,249)</b>	<b>208,472</b>
Income tax expenses	(99,398)	-	(99,398)
<b>Profit for the year</b>	<b>209,323</b>	<b>(100,249)</b>	<b>109,074</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences	6,753	-	6,753
Fair value change on available-for-sale financial assets	22,794	-	22,794
<b>Other comprehensive income for the year, net of tax</b>	<b>29,547</b>	<b>-</b>	<b>29,547</b>
<b>Total comprehensive income for the year</b>	<b>238,870</b>	<b>(100,249)</b>	<b>138,621</b>
<b>Profit attributable to:</b>			
Owners of the Company	213,030	(100,249)	112,781
Non-controlling interests	(3,707)	-	(3,707)
	209,323	(100,249)	109,074
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	238,670	(100,249)	138,421
Non-controlling interests	200	-	200
	238,870	(100,249)	138,621

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION**  
For the financial years ended December 31, 2016, 2015 and 2014

**5. Statement of adjustments (cont’d)**

5.2 Unaudited Enlarged Group pro forma statement of comprehensive income for the year ended December 31, 2015

	Summation of Financial Information RMB’000		Pro Forma Adjustments	Pro Forma Financial Information RMB’000
Revenue	6,952,304		-	6,952,304
Cost of sales	(6,931,311)		-	(6,931,311)
Gross profit	20,993		-	20,993
Other income	85,894		-	85,894
Other losses - net	(15,509)		-	(15,509)
Distribution and marketing costs	(68,962)		-	(68,962)
Administrative expenses	(266,309)		-	(266,309)
Finance costs	(178,464)	(ii)	(100,249)	(278,713)
Share of loss of an associate	(237)		-	(237)
<b>Loss before tax</b>	(422,594)		(100,249)	(522,843)
Income tax expenses	(8,204)		-	(8,204)
<b>Loss for the year</b>	(430,798)		(100,249)	(531,047)
<b>Other comprehensive loss</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences	(1,320)		-	(1,320)
Fair value change on available-for-sale financial assets	(12,243)		-	(12,243)
<b>Other comprehensive loss for the year, net of tax</b>	(13,563)		-	(13,563)
<b>Total comprehensive loss for the year</b>	(444,361)		(100,249)	(544,610)
<b>Loss attributable to:</b>				
Owners of the Company	(392,382)	(ii)(iii)	(100,476)	(492,858)
Non-controlling interests	(38,416)	(iii)	227	(38,189)
	(430,798)		(100,249)	(531,047)
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company	(402,076)	(iii)	(100,476)	(502,552)
Non-controlling interests	(42,285)	(iii)	227	(42,058)
	(444,361)		(100,249)	(544,610)

**APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

**NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION**  
**For the financial years ended December 31, 2016, 2015 and 2014**

**5. Statement of adjustments (cont’d)**

5.2 Unaudited Enlarged Group pro forma statement of comprehensive income for the year ended December 31, 2014

	Summation of Financial Information RMB’000		Pro Forma Adjustments	Pro Forma Financial Information RMB’000
Revenue	9,523,568		-	9,523,568
Cost of sales	(8,863,497)		-	(8,863,497)
Gross profit	660,071		-	660,071
Other income	129,740		-	129,740
Other losses - net	3,242		-	3,242
Distribution and marketing costs	(55,756)		-	(55,756)
Administrative expenses	(380,457)	(i)	(2,500)	(382,957)
Finance costs	(229,130)	(ii)	(100,249)	(329,379)
Share of loss of an associate	(323)		-	(323)
<b>Profit ((Loss) before tax</b>	<b>127,387</b>		<b>(102,749)</b>	<b>24,638</b>
Income tax expenses	(75,853)		-	(75,853)
<b>Profit (Loss) for the year</b>	<b>51,534</b>		<b>(102,749)</b>	<b>(51,215)</b>
<b>Other comprehensive loss</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences	(486)		-	(486)
Fair value change on available-for-sale financial assets	(1,986)		-	(1,986)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(2,472)</b>		<b>-</b>	<b>(2,472)</b>
<b>Total comprehensive loss for the year</b>	<b>49,062</b>		<b>(102,749)</b>	<b>(53,687)</b>
<b>Profit (Loss) attributable to:</b>				
Owners of the Company	57,560	(ii)(iii)	(81,518)	(23,958)
Non-controlling interests	(6,026)	(iii)	(21,231)	(27,257)
	51,534		(102,749)	(51,215)
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Company	55,088	(iii)	(81,518)	(26,430)
Non-controlling interests	(6,026)	(iii)	(21,231)	(27,257)
	49,062		(102,749)	(53,687)

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## APPENDIX II – REPORTING ACCOUNTANTS’ REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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### NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION For the financial years ended December 31, 2016, 2015 and 2014

#### 5. Statement of adjustments (cont’d)

5.3 The Summation of Financial Information comprises the audited statements of financial position and statements of profit or loss and other comprehensive income of Delong and unaudited management account of Anhui Shoukuang as of December 31, 2016, and for the year ended December 31, 2016, 2015 and 2014.

5.4 Details of adjustments made to effect the key assumption stated in Note 4.4 are as follows:

- (i) Being adjustment to reflect the proposed acquisition including acquisition related costs and Proposed Joint Venture.
- (ii) Being adjustment to reflect the interest expense incurred for the borrowing on Proposed Joint Venture.
- (iii) Being adjustment to reflect the share of results by non-controlling interest.

#### 6. Profit (Losses) per share

Basic profit (losses) per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares of 110,182,709 outstanding during the financial year.

Diluted losses per share is the same as basic losses per share as there are no dilutive potential ordinary shares.

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**APPENDIX III – SUMMARY OF VALUATION REPORT DATED 28 JULY 2017**

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English Translation for Reference Only

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**Asset Valuation Report**

**on**

**Delong Steel Co. Ltd's Proposed Acquisition**

**of**

**51% Stake in Anhui Shoukuang Dachang Metal Material Co., Ltd  
held by Beijing Shougang Mining Investment Co., Ltd.**

Jing da tang tian jian ping zi (2017) No. 9016

**Beijing Datangtianjian Asset Appraisal Co., Ltd.**

(company seal)

**July 28, 2017**

English Translation for Reference Only

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**Executive Summary of the Asset Valuation Report**  
**on Delong Steel Co. Ltd's Proposed Acquisition**  
**of 51% Stake in Anhui Shoukuang Dachang Metal Material Co.,Ltd**  
**held by Beijing Shougang Mining Investment Co., Ltd.**

Jing da tang tian jian ping zi (2017) No. 9016

With Regard to the proposed transfer of 51% stake in Anhui Shoukuang Dachang Metal Material Co., Ltd. held by Beijing Shougang Mining Investment Co., Ltd., Beijing Datang Tianjian Asset Appraisal Co., Ltd., entrusted by Delong Steel Co. Ltd., has conducted assessment on all the equity interest of Anhui Shoukuang Dachang Metal Material Co., Ltd. in accordance with the relevant laws and regulations, the generally accepted asset appraisal rules and necessary evaluation procedures, and has fairly reflected the market value of such equity interest as at 30 April 2017. The results of the asset valuation are as follows:

1. Valuation Purpose: to appraise all the equity interest of Anhui Shoukuang Dachang Metal Material Co., Ltd. so as to provide valuation basis for Delong Steel Co., Ltd's proposed acquisition of 51% stake in Anhui Shoukuang Dachang Metal Material Co., Ltd. held by Beijing Shougang Mining Investment Co., Ltd.
2. Valuation Target: all the equity interest of Anhui Shoukuang Dachang Metal Material Co., Ltd. as at the Base Date.
3. Valuation Scope: the integrate assets of Anhui Shoukuang Dachang Metal Material Co., Ltd., including all its assets and liabilities.
4. Type of Value: market value.
5. Valuation Base Date: April 30, 2017.
6. Valuation Method: asset-based approach.
7. Conclusion

The valuation has been conducted with asset-based approach and conclusions are made according to the results of such approach.

The book value of total assets in Anhui Shoukuang Dachang Metal Material Co., Ltd. is RMB 4522.708 million, appraised value of total assets is RMB 5114.8517 million, increased by RMB 592.1437 million at a rate of 13.09%. The book value of liability is RMB 1772.3983 million, appraised value of liability is RMB 1529.5921 million, decreased by RMB 242.8062 million at a rate of 13.70%. Net assets value is RMB 2750.3097 million, appraised net asset value is RMB 3585.2596 million, increased by 834.9499 million at a rate of 30.36%.



## APPENDIX III – SUMMARY OF VALUATION REPORT DATED 28 JULY 2017

English Translation for Reference Only

The summary of the asset valuation results are as follows:

### Summary of Assets Valuation Results

RMB '10,000

Item	Book Value	Appraised Value	Change	Rate of Change (%)
Current assets	91,005.26	91,005.26	0.00	0.00
Non-current assets	361,265.54	420,479.91	59,214.37	16.39
of which: Fixed assets	567.35	374.79	-192.56	-33.94
Construction in progress	256,107.80	256,037.19	-70.62	-0.03
Construction materials	3,491.86	3,491.86	0.00	0.00
Intangible assets	94,246.39	153,723.94	59,477.55	63.11
Other non-current assets	6,852.13	6,852.13	0.00	0.00
<b>Total Assets</b>	<b>452,270.80</b>	<b>511,485.17</b>	<b>59,214.37</b>	<b>13.09</b>
Current liabilities	149,893.23	149,893.23	0.00	0.00
Non-current liabilities	27,346.60	3,065.98	-24,280.62	-88.79
<b>Total Liabilities</b>	<b>177,239.83</b>	<b>152,959.21</b>	<b>-24,280.62</b>	<b>-13.70</b>
<b>Net Assets</b>	<b>275,030.97</b>	<b>358,525.96</b>	<b>83,494.99</b>	<b>30.36</b>

While reading the conclusions in this Report, the users of this Report may wish to take note the impact of item 11, "Note on Special Matters" on the appraisal conclusions, as well as the assumptions and conditions of the appraisal conclusions in this Report.

We emphasize that this Report is provided only as a valuation basis for the reference of the transaction parties in relation to the proposed acquisition of shares in Anhui Shoukuang Dachang Metal Material Co., Ltd., and shall not be used to replace any decision of the transaction parties made on the acquisition price.

This Report and the conclusions therein are only used for the valuation purpose thereunder, and shall not be used for other purposes.

In accordance with the relevant regulations, the valid period of this Report shall be one year, starting from April 30, 2017, the Base Date, to April 29, 2018.

**The content above is extracted from the valuation report. For details of the appraised items and to understand the conclusions of this Report, please refer to the full content of this Report, especially those in the Notes on Special Matters.**

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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 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the first extraordinary general meeting of the Company to be held at 9.30 a.m on the same day and at the same place) for the purposes of considering and, if thought fit, passing with or without modifications the following resolution set out below:-

#### **ORDINARY RESOLUTION**

**THE PROPOSED ACQUISITION OF 51% EQUITY STAKE IN ANHUI SHOUKUANG DACHANG METAL MATERIAL CO., LTD BY THE COMPANY'S INDIRECT WHOLLY-OWNED SUBSIDIARY, DELONG STEEL LIMITED (THE “PROPOSED ACQUISITION”)**

That:

- (a) approval be and is hereby given for the Company to carry out the Proposed Acquisition to the extent mandated and according to the terms under the Proposed Acquisition as described in the MOU and/or 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 Acquisition 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 the transactions contemplated by the MOU and/or this Resolution; 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 MOU and/or the Proposed Acquisition be and are hereby approved, confirmed and ratified.

BY ORDER OF THE BOARD

Ding Liguo  
Executive Chairman

2 December 2017  
SINGAPORE

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 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.

### 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 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the first extraordinary general meeting of the Company to be held at 9.30 a.m on the same day and at the same place) 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 RESOLUTION		FOR	AGAINST
1	To approve the Proposed Acquisition		

Notes:

- (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.