德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED *(Reg. No 199705215G*)

CONSOLIDATED RESPONSES TO SHAREHOLDERS' QUERIES

The Board of Directors (the "**Board**") of Delong Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the queries posed to the Company by some of the shareholders of the Company ("**Shareholders**") over the course of the past few months.

A brief timeline is set out below for Shareholders' reference:

Date	Event Description
8 November 2017	Certain minority Shareholders communicated their concerns to the Company in their letter dated 8 November 2017
12 December 2017	Company responded to the aforesaid queries in its announcement dated 12 December 2017
27 April 2018	Annual general meeting of the Company
13 July 2018	Singapore Exchange Securities Trading Limited ("**SGX-ST**") raised certain matters in their correspondence with the Company
20 July 2018	Company responded to the SGX-ST

The Board wishes to thank all Shareholders who have, through the various forums, expressed their concerns to the Company in the past few months.

For ease of reference by all Shareholders, the Company has consolidated its responses to the events mentioned above, and set them out in the schedules appended hereto.

The Board and management of the Company would also like to take this opportunity to thank all of the Company's stakeholders and Shareholders for their continuing support throughout the years. While the Group has faced many challenges, particularly in the recent years, the Board believes that the Group can rise to the occasion and create long-term shareholder value for all its stakeholders.

Any further queries can be addressed at the shareholders' meetings.

By Order of the Board

Mr Ding Liguo
Executive Chairman
5 August 2018

Schedule 1

Company's announcement dated 12 December 2017

德龙控股
DELONG HOLDINGS

DELONG HOLDINGS LIMITED *(REG NO. 199705215G)*

RESPONSE TO CERTAIN MINORITY SHAREHOLDERS' QUERIES

The Board of Directors (the "**Board**") of Delong Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to respond to the queries raised by certain minority shareholders of the Company ("**Certain Shareholders**") set out in their letter dated 8 November 2017 (the "**Letter"**). These shareholders had written to the Company to seek clarification on several matters, as well as propose possible actions which the Board can consider taking.

The Board wishes to thank the group of shareholders who have written to the Company to raise their concerns. The Board had given thorough consideration of the concerns/ suggestions raised in the Letter and have sought to address the same specifically below.

In responding to the queries, the Board notes that certain issues raised were in relation to past matters that have been duly addressed in the past, such as at the shareholders' meetings convened at the relevant time or on the announcements released by the Company. Nevertheless, the Board takes the spirit of this exercise seriously and is happy to address those concerns again below.

The Board and management of the Company wish to thank all of the Company's shareholders and stakeholders for their continuing support throughout the years. While the Group has faced many challenges, particularly in the recent years, the Board believes that the Group can rise to the occasion and create long-term shareholder value for all its stakeholders.

Any further queries can be addressed at the shareholders' meetings.

FOR AND ON BEHALF OF THE BOARD

Ding Liguo
Executive Chairman
12 December 2017

Questions/ Suggestions by Certain Shareholders

1. Financial Results vs Dismal Share Price Performance

On November 3, 2017, after repeated SGX queries regarding unusual trading activity, the Company released its results for the nine months ended September 30, 2017 ("9M2017"). Net profit attributable to shareholders rose 185.1% to RMB 1.74 billion, at a rate much higher than the 37.5% increase in revenue to RMB 9.85 billion. Apart from the recovery in the steel market in China, a significant line item included is the one-off net gain of RMB 377.36 million (S$78.62 million based on exchange rate of S$1:RMB 4.8) from the "Sale of Production Capacity Transfer" (see Attachment A).

Even though Delong's share price has nearly trebled in the two months prior to the results release on November 3, 2017, we as minority shareholders are deeply disappointed. The closing share price of S$3.83 as at November 7, 2017 — when measured to its Earnings Per Share ("EPS") for 9M2017 of RMB 15.82 (S$3.30) — translates to a miserable Price Earnings ("PE") multiple of 1.16X. On a projected annualised basis, excluding extraordinary gain, Delong should report full year FY2017 EPS of RMB 16.52 (S$3.44) (see Attachment B); at the closing share price on November 7, 2017, its PE multiple will fall further to 1.11X. The share now trades at less than half its Net Asset Value of RMB 39.36 (S$8.20) as at September 30, 2017.

Delong's stock performance seems to us to be deeply disappointing, if not shocking, when compared to other steel producers in the region. According to Reuters data dated November 5, 2017, the average PE multiple for steel industry is 21.09X trailing 12 months ("TIM") (see Attachment C). Based on the attached data from Bloomberg (see Attachment D), comparable steel producers in the region trade at PE multiples from a low of 7.5X to a high 22.0X. By comparison, based on the industry "low" multiple of 7.5X, Delong shares should trade at S$25.80 and, for further illustration, based on a conservative multiple of 10X, at S$34.40.

Based on the 9M2017 results, Delong has a net cash position of S$4.40 per share (net cash RMB 2.33 billion or S$485.04 million) (see Attachment E). Simply put, the stock trades below its cash value.

The steep discount of Delong's market valuation speaks volumes about what the directors should be doing with regards to preserving and enhancing shareholder value. In our view, the Board of Directors owes shareholders a full and frank explanation.

Appeal To Directors: Delong should embark immediately on a dedicated investor relations to raise its profile, engage with existing and institutional investors.

Company's response:

The movement of share prices are determined by various factors, of which many external factors are not within the Board's control.

The Board fully subscribes to the importance of having a strong investor relations unit so that meaningful engagements can be undertaken by the Company with its investors. In view of the comments raised by the Certain Shareholders, the Company will conduct an internal review to identify how the Company's investor relations policy can be further strengthened.

In view that most of the comparable steel producers in the region pay dividends, Delong should:

- ***i)*** ***taking into account the strong operating performance year to date propelled by the recovery of the steel industry, the windfall net gain announced in 3Q2017 and its net cash position, make a commensurate distribution by way of dividend to shareholders; and***
- ***ii)*** ***announce a formal dividend policy with a payout ratio of at least 30% of annual profits.***

<u>Company's response:</u>

The Board takes into account various factors in deciding whether or not to declare dividends to the Company's shareholders. While the aforementioned decision also depends largely on the circumstances faced by the Company and the Group from time to time, the Board generally considers the following factors (which are neither exhaustive nor definitive):

(a) Costs of capital;
(b) Merger & Acquisitions;
(c) Capital expenditure (i.e. To be in line with the industry's rising environmental standards, the Group has continually invested in technological upgrades and enhancement);
(d) Working capital purposes;
(e) Uncertainty as to the Group's future profitability, especially given the introduction of governmental policies aimed at reducing steelmaking capacity in the People's Republic of China ("**PRC**"); and
(f) Uncertainty as to the availability of financing from external sources, especially since certain banks have scaled back their lending to steel enterprises in the PRC.

In view of the above factors, the Company does not intend to introduce a formal dividend policy at this juncture.

2. Delong Has Been Unsuccessful In Geographical Diversification And Should Focus On China

Shortly after its listing when it engaged investors, Delong had said that the steel business in China is highly dependent on localised factors including access to raw materials and proximity to customers — which determine transport costs. Delong's success to date has been in China due in part to these factors. This is more pertinent considering that the steel industry in China has already begun recovering.

As disclosed in 2016, Delong has not been successful in fulfilling its plans in its diversification into Thailand. Delong Singapore extended a US$25.2 million shareholder's loan to the joint-venture (the "JV") (as disclosed in the financial statement Note 5(c) for year ended December 31, 2016), Delong (Thailand) Co. Ltd ("Delong Thailand"), that was incorporated in January 2014. Delong did not disclose the full amount of the loan in the January 25, 2017 announcement; it only stated that Delong Thailand agreed to repay Delong Singapore 120 million Thai Baht (approximately S$4.8 million) with the unspecified "remaining amount" including accrued interest to be paid upon execution of definite agreements relating to the JV.

On November 20, 2016, Delong announced that Delong Thailand had temporarily ceased operations following disagreements with minority shareholders. For 9M2016 it was reported to be profitable.

Despite holding a 55%-stake it had to sell out to the minority shareholders at <u>THB70 a share (when the JV was profitable), below the par value of THB100 a share.</u> The Company did not disclose to shareholders if it had engaged an independent valuer, nor disclose any valuation used.

Appeal To Directors: Explain and inform: (i) why this joint-venture in Thailand was unsuccessful; (ii) whether an independent valuer was appointed and, if so, what were its findings; (iii) what was the total shareholder's loan committed under the sale and purchase agreement announced on January 25, 2017; (iv) the "remaining amount" including accrued interest; and (v) why, despite having a controlling stake, it had to sell out to minority shareholders below par value even when the JV turned profitable?

<u>Company's response:</u>

The Company wishes to respond as follows:

(i) As set out in the Company's announcements that were made on 20 November 2016 and 21 December 2016, there were disagreements between the Group and the other minority shareholders of Delong (Thailand) Co. Ltd. ("**Delong Thailand**") then. As the parties could not arrive at a resolution, the Company's indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd ("**Delong Singapore**") had, on 21 December 2016, entered into a binding memorandum of understanding with the other minority shareholders of Delong Thailand in relation to the disposal of the Group's entire equity interest in Delong Thailand.

(ii) An independent valuer had not been appointed to conduct a valuation on Delong Thailand.

(iii) As at 25 January 2017 (being the date of the sale and purchase agreement entered into between Delong Singapore and *inter alia* the other minority shareholders of Delong Thailand), the aggregate amount of the outstanding shareholder's loan owing by Delong Thailand to Delong Singapore was THB819,890,000 (approximately S$33,060,000[1]).

(iv) The Group had received the amount of THB706,200,000 (approximately S$29,182,000[2]) on the date of completion of the sale and purchase of the shares in Delong Thailand, comprising the remaining amount of the outstanding shareholder's loan owing by Delong Thailand to Delong Singapore, together with all accrued interest thereto.

(v) The disagreement between Delong Singapore and the minority shareholders of Delong Thailand arose from differences in operational and management practices, and particularly, in respect of sales and pricing strategies of Delong Thailand. To the best knowledge of the Company, such disagreements had not been resolved amicably and eventually culminated in the irrevocable breakdown of the working relationship between Delong Singapore and the minority shareholders of Delong Thailand

Delong's unsuccessful investment in Thailand, in which it had a majority 55%-stake, amounted to US$41.8 million (paid-up capital which is equivalent to US$16.6 million and shareholder's loan of US$25.2 million).

Following this unsuccessful foray outside of China, Delong announced on June 12, 2017 that it would participate as a 45% shareholder in a joint-venture to build a steel plant in Sulawesi, Indonesia.

The total <u>initial</u> investment of the project is estimated at US$950 million, of which US$285 million will be contributed by the JV parties. As part of this US$285 million, Delong has committed a total of

[1] Based on the exchange rate of S$1: THB24.8 as at 25 January 2017.
[2] Based on the exchange rate of S$1: THB24.2 as at 3 February 2017

US$128.25 million comprising US$67.5 million as its contribution to equity and US$60.75 million as shareholder's loan. As Delong's portion in the JV is 45%, Delong's potential exposure (out of US$950 million) could go up to US$427.5 million.

In addition, the JV parties intend to fund the remaining US$665 million through bank financing (if obtained). The directors of Delong have not informed shareholders of the Company what plans are in place in the event bank financing is not obtained.

The Indonesian JV poses a key risk, especially in view that the quantum is more than ten times Delong's investment in Thailand, which as mentioned amounted to only US$41.8 million.

Despite not succeeding in Thailand, when it had a majority 55% s6ke, why are the directors still supporting: (i) this geographical diversification into Indonesia; and (ii) an investment which draws much significant resources of the Group.

Appeal To Directors: As minority shareholders, we strongly disagree with this proposed Indonesian JV. Delong clearly has much better prospects in and experience with the steel industry within China. Abort the Indonesian geographical diversification and focus on growing the steel business within China.

Company's response:

By way of background, the PRC government has been actively carrying out programmes aimed at tackling overcapacity and boosting efficiency of the steel manufacturing sector. Industrial pollution also remains a primary concern in the PRC and this is expected to have an impact on the PRC steel industry as well.

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 People's Republic of China ("**PRC**") by 31.86 million tonnes in 2017, and to accelerate steelmaking capacity reduction efforts in the cities of Langfang, Baoding and Zhangjiakou, which are located in the Hebei Province, in 2017 (the "**Capacity Reduction Plans**").

With the above considerations in mind, the Board has come up with the following proposals in a bid to reduce the Group's reliance on its current principal steel production facilities, which are all located in the Hebei Province in PRC:

(a) the proposed joint venture between the Group, Shanghai Decent Investment (Group) Co., Ltd ("**Shanghai Decent**") and PT. Indonesia Morowali Industrial Park ("**Morowali**") (the "**Proposed JV**"), pursuant to which they shall *inter alia* invest and undertake the construction of a steel plant in an industrial park with full auxiliary facilities for nickel mining and smelting and stainless steel manufacturing developed by Morowali and which is situated in Indonesia; and

(b) the proposed acquisition by the Group of 51% equity stake in Anhui Shoukuang Dachang Metal Material Co., Ltd (the "**Proposed Acquisition**"), which was in the midst of constructing a steel plant in the Anhui Province in PRC, which is located on the southern region of the PRC and is not an affected city under the Capacity Reduction Plans.

Proposed JV

Specifically for the Proposed JV, the Board had taken into account the following reasons (amongst others) before putting forward the proposal on the Proposed JV for shareholders' consideration:

(1) as the Company expects the Group's steel production capacity to be significantly reduced pursuant to the cessation of Aoyu Steel's operations (which was announced by the Company in its announcement dated 22 August 2017), the Proposed JV presents a good opportunity for the Group to expand its core business, and serves as a new engine of growth for the Group, so as to enhance long-term shareholders' value. In particular, the Proposed JV will benefit the Group's existing business by allowing the Group to increase its manufacturing and sales capacity notwithstanding the Capacity Reduction Plans, as well as improve its product structure to include bar, slab and wire;

(2) the Proposed JV will enable the Group to leverage on Shanghai Decent and Morowali's extensive experience and expertise in the steel business in Indonesia;

(3) the Group also seeks to enter into the Proposed JV to capitalise on the growing demand for steel amidst strong economic growth in Indonesia; and

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

Please refer to the Company's circulars dated 2 December 2017 for further details on the Proposed JV and Proposed Acquisition respectively, including the Company's rationale for entering into these projects. The circulars can be accessed on www.sgx.com.

3. Weak Capital Management/Diversification At Expense of Shareholders

The directors must explain why Delong has been investing cash surpluses in low-yielding instruments. By our calculations of the accounts for 9M2017 up to RMB 2.09 billion (S$435.4 million) (see Attachment F) has been channelled to such non-core investments.

As shareholders, we put our faith and invested in Delong for its focus in steel production in China. However, of late its diversification into non-core businesses (quoted and/or unquoted securities, providing seed money and angel investments, etc) has left us perplexed.

We are flabbergasted by the decision to invest in Qingdao Kutesmart Co. Ltd. as announced in a Circular dated October 31, 2016. Not only is this totally unrelated (ie. a manufacturer of suits, shirts, pants, jackets and vests), we are puzzled by: (i) the valuation paid of 92X and 49X the profit after tax for the financial years ended December 31 of 2014 2015, and 25X the unaudited annualised net profits of ***1H2016;*** *and (ii) that for its investment of RMB 60.0 million (approximately S$12.2 million based at prevailing exchange rate), Delong obtained a mere 2%-stake in that company. We want to know why the directors approved Delong (a producer of hot-rolled steel coils) investing in a totally unrelated industry, and then invest Delong's money at such valuations, and if the consideration paid was supported by an independent valuer?*

Instead of diversifying into non-core businesses and investing surplus cash in low-yielding instruments and what has been shown to be a questionable target asset, to us good business sense would see that Delong's cash surplus be used to reduce borrowings and the balance distributed to shareholders by way of dividend. As shareholders we demand a clear explanation for such questionable decisions in capital management. We invested in a steel company. If we wanted to invest in angel funds and apparel manufacturers we would have done this on our own. Delong should stick to what it does best. The directors have an onerous duty to ensure such basic business focus. The directors must explain why such surpluses were not distributed to shareholders.

Appeal To Directors: Delong should liquidate investments in these non-core investments to generate a cash surplus of RMB 2.09 billion by way of dividend.

<u>Company's response:</u>

As set out in the Company's circular dated 31 October 2016, the Board had taken into account the following reasons (amongst others) for proposing to diversify the core business of the Group to include the investment business then:

(a) the business diversification would reduce the Group's reliance on its existing business, which was facing significant competition and challenges;

(b) the business diversification would provide the Group with diversified returns and an additional stream of revenue and earnings; and

(c) the business diversification would allow the Group to expand its network of contacts and business opportunities.

Please refer to the Company's circular dated 31 October 2016 for further details on the above.

Shareholders had been given an opportunity to raise questions on the above in the extraordinary general meeting that was convened on 16 November 2016. As announced by the Company in its announcement dated 16 November 2016, the resolutions relating to the business diversification and investments in *inter alia* Qingdao Kutesmart Co., Ltd. had been passed by the majority of the Company's shareholders at the said extraordinary general meeting.

Please refer to the Company's response above on the considerations of the Board in determining whether or not to declare dividends.

4. Weak Corporate Actions That Diminish Shareholder Value

The share consolidation completed on February 29, 2016 of five (5) shares into one (1) share is one which shows less than prodigious direction laid down by the Board of Directors. As it turns out, this shrunk the shares in issue to 110.18 million. Delong had 36 months to comply with a then-requirement by the SGX (since relaxed) of a minimum share trading price of S$0.20 or be placed on the SGX Watchlist. At that time there were 55 companies on the Watchlist. As a result of this decision:

i) the liquidity of Delong shares was reduced as the free float of Delong shares has fallen from 117.95 million to 23.59 million. (By comparison, China Oriental Group, steel producer in China which free listed in Hong Kong, has a share capital base of 3,524.9 million shares and a free float of 24.9% or 877.7 million shares. China Oriental Group has an average daily trading volume of 11.5 million shares compared with Delong's 0.11 million); and

ii) based on the FY2016 Annual Report, 16.81% of shareholders have been left with odd lots of less than 100 shares. The odd lots severely restrict retail participation and limits the profit opportunity of this group of shareholders.

Appeal To Directors: Immediately adopt a share split of 1 to 10 shares to increase the issued share capital base to 1.10 billion shares and thereby increase the number of the free float shares. This will peg Delong shares round S$0.40 each — well above the S$0.20 threshold — and make the stock more affordable, thereby increasing liquidity.

Company's response:

Clarification on share consolidation exercise

By way of background, pursuant to the introduction of the minimum trading price ("**MTP**") framework, new listing rules on MTP was introduced on 2 March 2015 and issuers on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**" or "**Exchange**") were given a 12-month transition period to take steps to comply with the MTP requirement. As set out in "A Guide to the Minimum Trading Price Requirement for Mainboard Issuers" dated 9 February 2015 issued by the Exchange, the first review of issuers' compliance with the MTP requirement would take place on 1 March 2016, whereupon Mainboard issuers that do not meet the S$0.20 MTP requirement would be placed on the watch-list. Companies placed on the watch-list would have 3 years to meet the requirements to exit the watch-list, or risk being delisted from the Mainboard. In the aforementioned guide, it was stated that issuers who are in danger of being placed on the watch-list can undertake various remedial actions, one of which being share consolidation. The Exchange had stated that it viewed share consolidation as "the most feasible solution as it will not impact the market capitalization and fundamentals of the company"[3].

Subsequently, the Exchange announced[4] that issuers which had consolidated their shares before 1 March 2016 would be given a 6-month extension for purpose of complying with the MTP requirement (i.e. the first review of these issuers' compliance with the MTP requirement would take place on 1 September 2016 instead of 1 March 2016).

For the past 6 months prior to the consolidation exercise, the Company's shares had been trading in a range of between S$0.071 and S$0.188, which was below the MTP.

In view of the above, at the relevant time in question, the Board had considered that it was for the interest of the Company to undertake a share consolidation exercise.

Share split

As mentioned above, the movement of share prices are determined by various factors, of which many external factors are not within the Board's control. With the volatility in our stock price (i.e. the Company's stock price hit a record high during November 2017 but it has since come down from its peak), the Company currently does not have plans to undertake a share split.

[3] A Guide to the Minimum Trading Price Requirement for Mainboard Issuers. (2015, February 9). Retrieved December 7, 2017, from http://www.sgx.com/wps/wcm/connect/6403fa3a-acbf-4daa-9d81-cfc1a2090034/A+Guide+to+MTP+-+SGX+9+Feb+2015.pdf?MOD=AJPERES

[4] SGX gives 6-month extension to companies consolidating shares to comply with MTP. (2015, December 3). Retrieved December 7, 2017, from http://www.sgx.com/wps/wcm/connect/sgx_en/home/higlights/news_releases/sgx-gives-6-month-extension-to-companies-consolidating-shares-to-comply-with-mtp

Attachment A

Extracted from Delong Holdings Limited's 302017 Financial Statement (Page 3) as published on SGX on 3 November 2017

Notes:-

1 Other Income

	The Group			
	3[14] Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Government Grant[(a)]	10,051	2,178	10,951	13,787
Finance lease income	101	(187)	358	404
Interest income[(b)]	22,850	10,226	73,837	46,889
	33,002	12,217	85,146	61,080

Notes:

(a) Government grant received in recognition of the Group's technological improvement and environmental enhancement programmes in the PRC.

(b) Interest earned on bank deposits, held to maturity financial assets, available-for-sale financial assets and entrusted loans to customers.

2 Other gains— net

	The Group			
	3"[1] Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB ' 000	RMB ' 000	RMB ' 000	RMB '000
through profit or loss	(515)	(617)	283	(617)
litrency tunstation **(lolaggin-ne**	(15.305)	**8,897**	**(21,988)**	28.593
Sale of Production Capacity Transfer (c)	**377,358**		377,358	
Gain/(loss) on disposal of property, plant and equipment	1,629	(14)	(7,200)	(12,820)
Other[(b)]	(14,142)	4,301	(8,451)	7,540
	349,025	12,567	340,002	22,696

Notes:

(a) The currency translation loss was mainly due to the revaluation of intercompany balances denominated in USD, which weakened against RMB for the third quarter ended 30 September 2017 ("302017").

(b) Others comprised the sale of gas, oxygen, electricity, etc.

(c) Please refer to the Company's announcements dated 18 January 2017, 22 August 2017 and 31 August 2017 for further details. The Company will announce the use of RMB400.0 million from the Production Capacity Transfer, as and when there are material utilization of the amount.

Attachment B

ANNUALISED PROFIT EXCLUDING EXTRA-ORDINARY GAIN

Profit for 9 months ended 30 Sep 2017 less		1,742,570.00 RMB '000	
Sale of Production Capacity Transfer		(377,358.00) RMB '000	
		RMB '000	
Capacity Transfer		1,365,212.00 RMB '000	
Average performance per Qtr		455,070.67 RMB '000	
Annualised 2017 profit excl gain		**1,820,282.67** RMB '000	
No of ordinary shares as at 31 Dec 2017	**110,182,709.00**		
Projected 2017 EPS (RMB)		**16.52 RMB**	(2 decimals)
Fx rate of S$ to RMB	**4.8**		
Projected 2017 EPS (S$)		**3.44 S$**	(2 decimals)
PE	**7.5**	**25.80 S$**	
PE	**10**	**34.40 S$**	

Attachment C

Extracted from Reuters.com on 7 November 2017

Delong Holdings Ltd (DELO.SI)

DELO.SI on Stock Exchange of Singapore
Change (% chg)

3.99sGD

Prey Close	Day's High	Volume	52-wk High
$3.99		-•	$4.28
Open	**Day's Low**	**Avg. Vol**	**52-wk Low**
		112,530	9

ABOUT

Delong Holdings Limited is an investment holding company The Company is principally engaged in the manufacture and sale of hot-rolled steel coil (HRC), with the Peoples Republic of China as its principal market The Company operates through manufacture and sale of hot-rolled steel coils and billets segment The Company's other . (more)

BUY/SELL

OVERALL

Bela:	**2.85**
Market Cap(Mil.):	**$437.43**

FINANCIALS

	Industry	Sector
P/E (TTM):	**21.09**	**16.98**

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No analyst recommendations are available for

» Analyst Consensus

,. EARNINGS VS. ESTIMATES

Attachment D (Page 1)- Extracted from Bloomberg on Mon, 06-Nov'17

OVERVIEW															**% RETURNS**	
COMPANY	Ticker	CCV	Price	Div. Yield ('oP. la.)	Country	Subgro up	P/E	EPS (USD)	NTA / share	Reporti ng cLy	NTA / share (USD)	Gearing Ration	Mkt Cap USD$bil	YTD	1-YR
China Oriental Group Co Ltd	581 HK	**HKD**	5.54		CHINA	Steel-Produ c ers	7.7	0.20	3.29	CNY	0.49	22.88	2.5	**399.8**	399.8
Nanjing Iron & Steel Co -A	600282 CH	**CNY**	4.43		CHINA	Steel-Produ c ers	8.9	0.11	2.16	CNY	0.33	55.55	2.9	**42.9**	72.4
Sansteel Minguang Co Ltd -A	002110 CH	**CNY**	15.66	1.28%	CHINA	Steel-Produ c ers	7.5	0.36	6.69	CNY	1.01	22.92	3.2	**18.6**	96.0
Hyundai Steel Co	004020 KS	**KRW**	58,800.00	1.28%	SOUTH KOREA	Steel-Produ c ers	8.7	1.75	111,242.2 8	KRW	97.26	37.27	7.0	**3.2**	21.5
Posco	005490 KS	**KRW**	317,500.00	1.89%	SOUTH KOREA	Steel-Produ c ers	12.4	7.18	462,854.3 6	KRW	404.67	28.61	24.8	**23.3**	33.4
China Steel Corp	2002 TT	**TWD**	24.65	3.45%	TAIWAN	Steel-Produ c ers	22.0	0.01	19.06	TWD	0.63	40.94	12.8	**0.0**	9.1
He Holdings Inc	5411 JP	**JPY**	2,518.50	2.38%	JAPAN	Steel-Produ c ers	8.9	0.54	3,194.67	JPY	28.37	32.51	13.5	**43.9**	74.1
Yamato Kogyo Co Ltd	5444 JP	**JPY**	3,200.00	1.56%	JAPAN	Steel-Produ c ers	19.5	0.37	4,297.09	JPY	38.16	0.01	1.9	**-2.3**	9.4
Nippon Steel & Sumitomo Meta	5401 JP	**JPY**	2,630.50	2.85%	JAPAN	Steel-Produ c ers	10.6	0.56	3,364.34	JPY	29.87	29.25	21.9	**0.9**	23.7
Bluescope Steel Ltd	BSL AU	**AUD**	12.73	0.71%	AUSTRALI A	Steel-Produ c ers	10.4	0.35	6.07	AUD	4.66	10.29	5.5	**37.1**	71.5

Attachment D (Page 2)

Extracted from Bloomberg on Mon, 06-Nov'17

OVERVIEW														**% RETURNS**	
COMPANY (ep.a,)	Ticker	CCY	Price	Div. Yield	Country	Subgroup	P/E	EPS (USD)	NTA / share	Reporting cry	NTA / share (USD)	Gearing Ration	Mkt Cap USD$bil	YTD	1-YR
Delong Holdings Ltd	DLNG SP 1236.7		**SGD**		4.01	CHINA	Steel-	1.6	#N/A	39.36	CNY	5.93	48.58	0.3	**1282.8**

Attachment E-

NET CASH POSITION

OPTION A Definition: Uncumbered liquid assets less short term borrowings

(RMB'000)		30/9/17	31/12/16
TOTAL CASH & EQUIVALENTS			
Cash & cash equivalents		1,412,388.00	966,932.00
Held for Trading Investments	1	1,619,908.00	725,943.00
Held-to-maturity financial assets	2	231,050.00	371,050.00
Available for sale financial assets		243,343.00	203,988.00
		3,506,689.00	**2,267,913.00**
TOTAL BORROWINGS			
Borrowings - current		724,294.00	1,332,300.00
Borrowings - non current		348,454.00	204,906.00
		1,072,748.00	**1,537,206.00**
Net Cash Position		**2,433,941.00**	**730,707.00**
Excluded:			
1 Bank balances pledged		1,167,553.00	1,571,779.00
2 Notes payables		1,273,309.00	2,288,711.00
Fx : S$ to RMB		4.80	
Net Cash Position (S$)		507,071.04	'000
Total No of shares		110,182,709.00	
Net Cash Position per share (S$)		4.60	

OPTION B Definition : All liquid assets less All borrowings

(RMB'000)		30/9/17	31/12/16
TOTAL CASH & EQUIVALENTS			
Cash & cash equivalents		1,412,388.00	966,932.00
Bank balances pledged		1,167,553.00	1,571,779.00
Held for Trading Investments	1	1,619,908.00	725,943.00
Held-to-maturity financial assets	2	231,050.00	371,050.00
Available for sale financial assets		243,343.00	203,988.00
		4,674,242.00	**3,839,692.00**
TOTAL BORROWINGS			
Notes payables		1,273,309.00	2,288,711.00
Borrowings - current		724,294.00	1,332,300.00
Borrowings - non current		348,454.00	204,906.00
		2,346,057.00	**3,825,917.00**
Net Cash Position		**2,328,185.00**	**13,775.00**
FX: S$ to RMB		4.80	
Net Cash Position (S$)		485,038.54	'000
Total No of shares		110,182,709.00	
Net Cash Position per share (S$)		**4.40**	

NOTE: We chose the Definition B above which shows a lower Net Cash Position per share

Attachment F

LOW YIELDING INVESTMENTS

(RMI3'000)	Notes	30(9/17	31/12/16	Change	Change (%)
Held for Trading Investments	1	1,619,908	725.943	893,965	123.15%
Held-to-maturity Financial Assets	2	231,050	371.050	(140.000)	-37.73%
Available for Sale Financial Assets	6	243,343	203.988	39.355	19.29%
Total		**2,094,301**	**1,300,9817**	**793,320**	**60.98%**

Notes relates to Notes to the Financial Statements for the 9 months ended 30 September 2017

Schedule 2

Matters raised at the Company's annual general meeting held on 27 April 2018, and the Company's response thereat

<table>
<tr><th>S/No</th><th>Questions / Comments</th><th>Board's / Management's Responses</th></tr>
<tr><td>1.</td><td colspan="2"><u>DISCUSSION ON THE BUSINESS OF THE GROUP</u></td></tr>
<tr><td>1.1</td><td>Mr. Chew Ah Kong, a shareholder of the Company, queried the Board of Directors of the Company (the "Board") on:

(i) the disposal of Delong (Thailand) Co. Ltd. ("Delong Thailand");

(ii) the Board's take on the outlook of the steel industry in the People's Republic of China ("PRC"), and the Group's prospects in the PRC market given the closure of one (1) of the Group's production plants in PRC, namely Laiyuan County Aoyu Steel Co., Ltd. ("Aoyu Steel"); and

(iii) the Board's take on the Group's joint venture in Indonesia.</td><td><u>Disposal of Delong Thailand</u>

The Chairman of the Board, Mr. Ding Liguo, responded as follows:

(a) Further to the incorporation of Delong Thailand and the construction of the production facility in Thailand in 2014, there were various instances of disagreement between the Group and the minority shareholders of Delong Thailand. Such disagreements had arose from differences in operational and management practices, and particularly, in respect of sales and pricing strategies of Delong Thailand. To the best knowledge of the Company, such disagreements had not been resolved amicably and eventually culminated in the irrevocable breakdown of the working relationship between the Group and the minority shareholders of Delong Thailand. This resulted in the Group's disposal of its equity interest in Delong Thailand to the minority shareholders of Delong Thailand in 2017.

(b) The sale consideration, as well as the principal amount of the shareholder's loan that the Group had previously extended to Delong Thailand (together with applicable interest thereon), had been fully received by the Group. Please refer to Note 24 to the financial statements of the Group as set out in the Company's annual report for the financial year ended 31 December 2017 (the "FY2017 Annual Report") for further details.

<u>Cessation of Aoyu Steel's Operations</u>

The Chairman of the Board, Mr. Ding Liguo, responded as follows:

(a) Aoyu Steel is based in Baoding city, which is located in the Hebei province in PRC and is situated relatively near to Beijing</td></tr>
</table>

		city where pollution is a serious concern. As such, in recent years, the PRC government had introduced policies aimed at reducing steelmaking capacity in the region. (b) This was not the case in 2012 when the Group acquired Aoyu Steel. At that time, the PRC government had encouraged the investment, and there were benefits to acquiring Aoyu Steel. However, around 2016, there was a shift in the PRC government's stance towards reduction of steel production. This resulted in the introduction of policies aimed at reducing steelmaking capacity that were imposed on steel manufacturers in selected cities, and Aoyu Steel was affected thereby. (c) The People's Government of Laiyuan County had agreed to compensate Aoyu Steel for the impact that the implementation of the above governmental policies have on Aoyu Steel. To date, approximately RMB600 million of the agreed compensation sum remains outstanding. It is envisaged that the aforementioned outstanding balance will be received by the Group by the end of the year. <u>Joint Venture in Indonesia</u> The Chairman of the Board, Mr. Ding Liguo, responded as follows: (a) The Company is of the view that political risk is one of the most significant risks arising from the joint venture in Indonesia. Apart from the foregoing, there may be other risks such as, amongst others, the occurrence of natural disasters. (b) However, based on the assessments conducted by the Company, the Company is also of the view that there is great potential to this project. In particular: (i) *Reduction in shipping costs* – there may be savings in shipping costs since there is a port located within the industrial park at which the steel project is being constructed. This allows for materials to be shipped to other neighbouring regions, such as India, South Africa and PRC.

		(ii) *Reduction in electricity costs* – there may also be savings in electricity costs since there are power generators located within the industrial park, and the price of electricity is lower than that in PRC. (iii) *Carrying out of coking coke operations* – unlike in the PRC, the carrying out of coking coke operations in Indonesia is permitted. (iv) *Higher sale prices* – the sale prices of steel products in the Indonesian market is approximately RMB200/tonne higher than in the PRC market. (v) *Confidence in collaboration with joint venture partner* – the Group is collaborating with Shanghai Decent Investment (Group) Co., Ltd ("**Shanghai Decent**") (one of the group corporations under Tsingshan Iron & Steel) and minority local representation (i.e. a 12% Indo-Chinese shareholder) in this joint venture. It has been agreed that the Group will be spearheading the project, and both Shanghai Decent and the minority local representation will not partake in the day-to-day operations of the production facility and the joint venture company. In addition, Tsingshan is more established and reputable than the Group, and the minority local representation is also able to assist with smoothening the relationship with the local governor, which is important to the success of the project. In view of the foregoing factors, the Company does not foresee encountering major issues in the running of the joint venture at this juncture. (c) Presently, the construction of the project is progressing smoothly, and it is expected that construction will be completed by the end of 2018, whereupon manufacturing activities can commence.
1.2	Mr. Martin Wong, a shareholder of the Company, expressed his understanding of the Company's decision to diversify the geographical locations in	Mr. Wu Geng, an Independent Director of the Company, commented that the production facility in Indonesia is expected to commence

	which it invests in, given that the Group had not succeeded in tendering for the plant in PRC. However, he commented that he shares the concerns of the other shareholders regarding the Group's investment in Indonesia, given that (i) the Company's investment in Thailand had not succeeded despite the Company being the majority shareholder then, and the Group is not the majority shareholder in the present joint venture in Indonesia; (ii) the substantial amount of investment that is being channelled into the joint venture; and (iii) the uncertainties revolving when the production facility in Indonesia will start generating profits, given the cyclical nature of the steel industry.	operations at the end of this year, and generate revenue next year.
2.	**<u>DISCUSSION ON DIVIDENDS</u>**	
2.1	Mr. Chew Ah Kong, a shareholder of the Company, raised his dissatisfaction with the non-declaration of dividends all these years.	The Chairman of the Board, Mr. Ding Liguo, expressed his sincere apologies for the non-distribution of dividends since 2008. In particular, he explained that: (a) Prior to and during 2013, the Group was experiencing tight cash flow as it was in the midst of repaying its debts. As such, it was not an opportune time to pay out dividends to its shareholders. (b) During the years 2014 and 2015, the PRC steel industry was not doing well and there were volatility in steel prices. As such, it was also not an opportune time to pay out dividends to its shareholders. (c) Due to the improvement of the PRC steel industry during the years 2016 to 2017, steel prices had recovered, and the management of the Company considered that it would be beneficial to the Group to diversify revenue sources. As such, the Company had intentions to tap into the vast potential of the Indonesian market, and a considerable amount of the Group's resources had been channelled towards such expansion plans. Further, Mr. Ding Liguo highlighted that the long-term sustainability of the business is the main driving force for the Board's decisions. This encompasses, amongst others, considering the issue of environmental sustainability, encouraging innovation, and diversifying revenue sources and expanding the Group's presence in countries outside of the PRC. As such, he is more concerned with

		conserving the liquidity resources of the Company in case of trying times. The Company may consider paying out dividends to shareholders after the survivability and sustainability of the business has been taken care of. This year, in view of the possible impact of the trade dispute between the United States of America and the PRC, the financial institutions in the PRC are adopting a more conservative approach in respect of the financing needs of steel manufacturers and the industry in general. Further, the introduction of environmental policies by the Xingtai city government has also placed some pressure on the Group. As such, Mr. Ding Liguo informed that while the Board cannot guarantee that there will be any declaration of interim dividends this year, the Board will seriously consider this issue in the upcoming Board meetings. The Board will take into account various factors such as the financial performance of the Company and the Group, to arrive at its decision.
2.2	Mr. Martin Wong, a shareholder of the Company, expressed dissatisfaction that despite the healthy cash position of the Group, the Board decided not to declare dividends. Referencing the dividend compilation table which he had prepared (annexed hereto as **Annex A** for record), he noted that the Company had paid dividends in the financial years ended 31 December 2005, 2006 and 2007 respectively, despite the Group recording a negative net cash position. However, for the financial year ended 31 December 2017 ("**FY2017**"), the Board decided not to declare dividends notwithstanding the Group's positive net cash position of approximately S$427 million. In addition, Mr. Martin Wong also commented that other listed steel manufacturing companies (with higher price-earnings ratio than that of the Company's) have paid out dividends to their shareholders, unlike the Company. As such, he is of the view that it is unjustified for the Company, which has such healthy cash reserves, to continue conserving such reserves. Mr. Martin Wong further questioned when the Company would declare dividends if it has no intentions to do so despite its achievement of such stellar financial performance for FY2017. Mr. Martin Wong had also questioned the Independent Directors of the Company on whether they had dissented or agreed with the	Mr. Wu Geng, an Independent Director of the Company, responded that as mentioned by the Chairman of the Board, Mr. Ding Liguo, the Board's and management's focus is primarily on the long-term survival and prosperity of the business rather than the share price performance of Delong (which is largely decided by the investing community). He explained that the Independent Directors of the Company have shared with the Board that they should consider declaring dividends given the good financial performance of the Company for FY2017. However, Mr. Wu Geng also explained that directors noted that Mr. Ding Liguo has his concerns for not recommending the declaration of dividends – the closure of Aoyu Steel's operations last year meant that effectively, the Group had lost one (1) of its engines. As such, the Company is channelling its resources into the joint venture in Indonesia, with the hopes to build up a new engine of growth for the Group. Mr. Wu Geng commented that the joint venture in Indonesia is a very substantial investment for the Group. Bearing in mind the difficult times which the Company went through in the past and in view of the joint venture in Indonesia, Mr. Ding Liguo had shared with the Board his concerns to conserve cash resources and seek opportunities for business diversification in case of any unexpected circumstances.

	other Directors on the issue of non-declaration of dividends or had abstained from the same. Further, Mr. Martin Wong had also disagreed that the focus of a board and management of a listed company is sorely on the business of the company. He reinforced that the basic responsibility of the Board and management is to increase shareholders' wealth/value which includes share price performance of Delong. He has opined that the Company should declare dividends as this is one key factor which directly affects the share price performance of the Company.	The Chairman of the Annual General Meeting ("**AGM**") and an Independent Director of the Company, Mr. Lai Hock Meng, explained that the Independent Directors of the Company had, in the last four (4) Board meetings, proposed to the Board to declare and pay dividends to the shareholders of the Company. However, the Board had collectively decided against declaring dividends. Ms. Lan Jihong, the Chief Financial Officer of the Company, supplemented that there was a lot of fluctuation within the steel industry in the last decade, and the financial performance of the Group had only started to improve from 2016.
3.	**<u>DISCUSSION ON SHARE PRICE PERFORMANCE</u>**	
3.1	Mr. Martin Wong, a shareholder of the Company, commented that the group of shareholders whom he represents is not happy with the share price of the Company, as it is not performing well despite the stellar financial performance of the Group. Referencing the table setting out the share price performance of the Company's shares (annexed hereto as **Annex B** for record), he noted that after the Company announced its financial results, over a period of 26 trading days, the trading share price of the Company decreased by approximately 36.4% as the price fell from S$4.95 to S$3.15. In spite of that, the Board had not taken any action nor made any announcement to address this. Mr. Martin Wong opined that the drop in the trading share price of the Company right after the stellar FYE 2017 financial statements was announced was because the Company did not declare dividends notwithstanding the stellar financial performance of the Group. It fell from a closing of $4.95 on 27/2/18 to a low of $3.15 on 5/4/18 (a massive drop of 36.4% over a period of just 26 days). As such, the investor community is very disappointed with the situation. Mr. Martin Wong noted that on page 24 of the Company's FY2017 Annual Report, it was stated that "The Company has established objective criteria to evaluate the Board's performance. This includes comparing the Company's share price performance with its peers in the industry and the Singapore Straits Times Index over a five-year period…For the year under review, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review". He queried the members of the Nominating Committee and the Board on their findings over a	The Chairman of the AGM and an Independent Director of the Company, Mr. Lai Hock Meng, explained that the Board's performance is not assessed based solely on share price performance. There are many criteria used by the Nominating Committee to evaluate the Board's performance. Mr. Lai Hock Meng further explained that it is not the Board's role to influence the share price of the Company and commented that the Board is similarly frustrated as the Company's share price is not trading at half of the net book value of the Company. Nevertheless, the Nominating Committee is satisfied with the overall performance of the Board.

	five (5)-year period with respect to the Company's share price performance and price-earnings ratio, as compared with its peers and the industry average, and to provide reasons on why the Nominating Committee and the Board were "satisfied with the results of the review" given Delong's share performance was not only substantially below the industry average but was well below the worst performer in the industry. Mr. Martin Wong commented that based on the Reuters website, the prevailing average industry price-earnings ratio of steel producers is 19.74, and the worst performing company, being China Oriental Group Company Limited (a company listed on the Hong Kong Stock Exchange), has a price-earnings ratio of 3.39. In November 2017, the price-earnings ratio of the industry average and China Oriental Group Company Limited was 21.22 and 7.7 respectively. He opined that the decrease in the price-earnings ratio is mainly attributable to the US-China trade disputes. Given that the prevailing average industry price-earnings ratio of steel producers is 19.74 and the worst performer, China Oriental Group Company Limited, has a price-earnings ratio of 3.39, after taking into account the US-China trade disputes, the Company's price-earnings ratio of around 1 is unsatisfactory. Mr. Martin Wong offered the following suggestions to improve the share price performance of the Company: (i) improving the Company's investor relations efforts; (ii) declaring dividends to reward its shareholders; and (iii) stop diversifying into non-related and non-core businesses. (iv) Splitting of Delong shares: 1 to 10 Mr. Martin Wong also referred to the letter addressed to the Board in November 2017 which sets out the concerns of the group of shareholders which he represents. Therein, he had offered various proposals for the Board's consideration. Nevertheless, Mr. Martin Wong noted that the suggestions have not been taken up by the Board, and has requested for the Board to comment on the actions they will take to address the situation. <u>Share split</u>	<u>Share split</u>

	In relation to the most recent share consolidation exercise undertaken by the Company, Mr. Martin Wong commented that on hindsight, the Company's trading share price may not have fallen under the minimum trading price imposed by the Singapore Exchange. Referencing the Company's current trading share price of approximately S$4.00, Mr. Martin Wong proposed that the Company consider undertaking a share split exercise of 1 to 10 so as to make the shares of the Company more affordable, thereby increasing liquidity and allow Delong's trading share price to rise to its intrinsic value. By way of illustration, China Oriental Group Company Limited (which is currently trading at a price-earnings ratio of 3.3 and which, according to Reuters mobile, has a forward price-earnings ratio of 7.78) has approximately 3.7 billion outstanding ordinary shares while the Company only has approximately 110 million outstanding shares. Hence, Mr. Martin Wong opined that a share split exercise will improve the price-earnings ratio of the Company due to affordability when the shares are split effectively. Mr. Martin Wong further commented that since the Company is performing well presently, the Board should consider taking action to improve the share price performance, rather than considering the same when there is a downturn, given the cyclical nature of the steel industry. Mr. Martin Wong asked why was the Board not taking the necessary and appropriate measures to allow Delong to be a Billion Dollar company (USD terms). Even Bloomberg quoted Aleksey Eberents of Evraz (15 Dec 2017) that Delong could be a USD $4 to $5 billion company and reiterated it again recently.	Ms. Lan Jihong, the Chief Financial Officer of the Company, commented that the Company will consider Mr. Martin Wong's suggestions.
4.	**<u>DISCUSSION ON THE GROUP'S INVESTMENTS OUTSIDE OF ITS CORE STEEL BUSINESS</u>**	
4.1	Mr. Martin Wong, a shareholder of the Company, commented that the Company has various assets which it should not have invested in. Such surplus cash should be returned to shareholders. He noted that for FY2017: (i) The Group has held-for-trading investments worth approximately RMB983 million, and these are managed funds managed by financial institutions. He questioned the purpose of such investments.	

	(ii) The Group has available-for-sale financial assets worth approximately RMB233 million. He questioned the management of such assets since he noted that an impairment loss of approximately RMB50 million had been recorded in respect of the investment in Qingdao Kutesmart Co. Ltd. ("**Qingdao Kutesmart**") for FY2017, notwithstanding that Qingdao Kutesmart was acquired for approximately RMB60 million only a year ago in late 2016. (iii) The Group has held-to-maturity financial assets worth RMB36.5 million. (iv) The Group provided unsecured loans to two (2) third parties amounting to approximately RMB52.9 million. (v) The Group has other private equity investments of approximately RMB75 million. Mr. Martin Wong reiterated his point that if the Company is concerned about conserving cash resources and adopting a more conservative approach, it should refrain from diversifying into non-core investments and businesses, which have a negligible impact on the Company's bottom-line. He commented that the group of shareholders he represents had bought into the Company as a steel manufacturing business. As such, he reminded the Board that the Company focus on its core steel business, and stop "diversifying" into non-core business and other geographical markets if necessary, and looking to reduce costs such as transportation costs which had risen by 14.9% (RMB11.4 million) in 2017.	
4.2	Mr. Poh Kiat, a shareholder of the Company, queried on the basis of the impairment of the investment in Qingdao Kutesmart.	Ms. Lan Jihong, the Chief Financial Officer of the Company, responded that Qingdao Kutesmart is doing well. The reason for providing for the impairment of RMB50 million is due to the conservative approach taken. The auditors of the Company, Mr. Jeremy Toh of Deloitte & Touche LLP, responded that the auditing standards require a higher standard for ascertaining the fair value of unquoted investments. Mr. Jeremy Toh further informed that the management of the Company was initially of the view that no impairment was required as new capital was injected into the company at a value similar to what the Company had invested. However, from the auditors' perspective, the auditors will need to assess who the new capital was raised to, as a

		benchmark for evaluating fair value and impairment loss. Mr. Jeremy Toh commented that they had required the management of the Company to use the discounted cash flow method and thus, an impairment of RMB50 million was recorded.
5.	**<u>OTHER MATTERS</u>**	
5.1	Mr. Chew Ah Kong, a shareholder of the Company, queried on the reasons for Mr. Wang Tianyi's absence from the Company's AGMs.	Ms. Lan Jihong, the Chief Financial Officer of the Company, responded that the Company has extended an invitation to Mr. Wang to attend the Company's AGMs. The Company is unsure of the reasons for Mr. Wang's absence.
5.2	Mr. Martin Wong, a shareholder of the Company, queried on the identity of the two (2) parties which the Group had given unsecured loans to, as set out in Note 13 to the financial statements of the Group on page 86 of the FY2017 Annual Report.	Ms. Lan Jihong, the Chief Financial Officer of the Company, responded that the two (2) parties are: (1) Zhongmei Xuyang Coking Co., Ltd, which the Group has 10% equity interest in; and (2) Xingtai Degui Nano Material Technology Limited, which the Group has 60% equity interest in.
5.3	Mr. Poh Kiat, a shareholder of the Company, queried on the quantum of the fee paid to the auditors of the Company. He further proposed to the Board to change auditors as he is of the view that the audit fee charged is high.	The Chairman of the AGM and an Independent Director of the Company, Mr. Lai Hock Meng, commented that the audit fee for FY2017 was high because of the various projects that the Group was involved in then. The auditors of the Company, Mr. Jeremy Toh of Deloitte & Touche LLP, supplemented that the audit fee is set out in Note 33 to the financial statements of the Group on page 105 of the FY2017 Annual Report. He further commented that the audit fee is a reflection of the time spent and for FY2017, a significant amount of time was spent on the matters relating to available-for-sale investments and impairment. Mr. Lai Hock Meng noted the shareholder's suggestion to change the auditors of the Company.
5.4	Mr. Poh Kiat, a shareholder of the Company, noted that the shareholders had authorised the Board to buyback the Company's shares last year, but the Board had not exercised such share buyback mandate. He queries whether for the next 12 months, the Board has any plans to exercise the share buyback mandate (if granted at the AGM).	The Chairman of the AGM and an Independent Director of the Company, Mr. Lai Hock Meng, noted the shareholders' suggestions.

	Mr. Yeo Choong Leong, a shareholder of the Company, noted that the shares of the Company are trading at an undervalue, and suggested that if the Company is concerned with cash conservation, the Board may consider to pay out ordinary dividends, with special dividends in years where the Group is performing well. Further, as the shares of the Company are trading at an undervalue, he opined that it is worth it for the Company to exercise the share buyback mandate (if granted at the AGM).	

ANNEX A

Dividend Compilation Table

ANNEX B

Delong Share Price Performance

ANNEX C

Financial Data of Other Steel Producers

Schedule 3

Company's responses to matters raised by the SGX-ST on 13 July 2018

	SGX-ST's Queries dated 13 July 2018	Company's Responses dated 20 July 2018
1.	With reference the Code on Corporate Governance, companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In this regard, please clarify what investor relations program the Company intends to implement, and the milestones and timelines of such proposed program.	The Company engages IR consultants on an ad hoc basis when there is a major corporate exercise. Regular communications with shareholders are conducted by management in accordance with the listing rules and corporate governance code.
2.	In relation to the losses suffered by the Company in its available for sale investments, please clarify the following:- (a) Whether the Company intends to undertake further investments; (b) The due diligence which has been conducted / to be conducted; (c) The considerations of the Audit Committee ("**AC**") on both the investment merits and prices of such further investments; and (d) How the Company monitors its investments.	(a) Please refer to the Company's announcement dated 11 April 2018 for the reason for providing for the impairment charge on the Group's available for sale investments. The Company intends to make further investments going forward. Please refer to the Company's Circular dated 31 October 2016 for the rationale for the proposed business diversification. (b) The Company has put in place a comprehensive internal policy on investments. (c) The Company has put in place a comprehensive internal policy on investments. (d) The Company has put in place a comprehensive internal policy on investments.
3.	Please explain why the Company does not have a dividend payment policy, and has not paid dividends to its shareholders.	As explained in the Company's Annual General Meeting on 27 April 2018: (d) Prior to and during 2013, the Group was experiencing tight cash flow as it was in the midst of repaying its debts. As such, it was not an opportune time to pay out dividends to its shareholders. (e) During the years 2014 and 2015, the steel industry in the People's Republic of China ("PRC") was not doing well and steel prices were volatile. As such, it was

		also not an opportune time for the Group to pay out dividends to its shareholders. (f) Due to the improvement of the PRC steel industry during the years 2016 to 2017, steel prices had recovered, and the management of the Company considered that it would be beneficial to the Group to diversify revenue sources. As such, the Company decided to tap into the vast potential of the Indonesian market, and consequently, a considerable amount of the Group's resources had been channelled towards such expansion plans. Further, the long-term sustainability of the business is the main driving force for the Board's decisions. This encompasses, amongst others, considering the issue of environmental sustainability, encouraging innovation, diversifying revenue sources and expanding the Group's presence in countries outside of the PRC. As such, the Board is more concerned with conserving the liquidity resources of the Company to buffer against any potential deterioration in the business climate. This year, in view of the possible impact of the trade dispute between the United States of America and the PRC, the financial institutions in the PRC are adopting a more conservative approach in respect of the financing needs of steel manufacturers and the industry in general. Further, the focus on environmental issues by the Xingtai city government has also placed continuous pressure on the Group. The Company will consider paying out dividends to shareholders after the Company has better visibility of the survivability and sustainability of the business, taking into consideration all the uncertainties that are still overshadowing the industry. As such, while the Board cannot guarantee that there will be any declaration of interim dividends this year, the Board will seriously consider this issue in the upcoming Board meetings. The Board will take into account various factors such as the financial performance, potential threat to the sustainability of the company and availability of resources of the Group, to arrive at its decision.

4.	With reference to the Company's announcement dated 6 November 2017, what is the basis for the Company's statement that the maintenance works for the production plant would result in a decline in both the EPS and the NTA per share for the full year? It is noted that the Group reported stronger results for the full year.	This is based on the assumption that average selling prices for hot-rolled coil and cost of production per tonne and all other expenses (i.e., administrative, distribution and finance expenses) remained unchanged for financial year 2017. As such, a reduction in production volume arising from the maintenance exercise would result in a decline in both the EPS and the NTA per share.
5.	In relation to the Company's unsecured loans to third parties, please explain the following:- (a) Why did the Company make these loans? (b) How does the AC monitor these loans? (c) What is the board approval process in making these loans? (d) What controls are put in place to address the risks associated with these loans?	(a) As at 31 December 2017, these loans were made to the Group's investee companies instead of third-parties, namely: (1) Zhongmei Xuyang Coking Co., Ltd, in which the Group has 10% equity interests; and (2) Xingtai Degui Nano Material Technology Limited, in which the Group has 60% equity interests. These loans were made to investee companies in accordance with the terms and conditions of the shareholders agreement entered into when the Group subscribed for the equity interests in the investee companies and agreed to extend loans to these investee companies for working capital purposes in proportion to the Group's shareholding in these investee companies. These loans bear interest at rates ranging from 3.6% to 7.5% per annum. Quarterly management accounts or updates of the respective investee companies are made available to the Group's management at the end of every quarter and this allows the Group to monitor the financial and business aspects of these investee companies. (b) The Company has put in place a comprehensive internal policy on investments. (c) The Company has put in place a comprehensive internal policy on investments. (d) The Company has put in place a comprehensive internal policy on investments.