
THE PROPOSED DISPOSAL OF THE GROUP'S ENTIRE STAKE IN DELONG (THAILAND) CO., LTD.

- SIGNING OF SALE AND PURCHASE AGREEMENT AND OTHER DEFINITIVE AGREEMENTS
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1. INTRODUCTION

Reference is made to the announcements made by Delong Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") on 20 November 2016 and 21 December 2016 (collectively, the "**Announcements**") in relation to (i) the temporary cessation of operations of Delong (Thailand) Co., Ltd. ("**Delong Thailand**"), an indirect 55%-held subsidiary of the Company; and (ii) the entry into a binding memorandum of understanding in relation to the proposed disposal of the Group's entire equity interest in Delong Thailand (the "**Proposed Disposal**").

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

Further to the Announcements, the Board of Directors (the "**Board**") of the Company wishes to announce that its indirect wholly-owned subsidiary, Delong Steel Singapore Projects Pte Ltd ("**Delong Singapore**") has, on 25 January 2017, entered into a conditional definitive sale and purchase agreement ("**SPA**") with the Thai Minority Shareholders and Mr. Chusak Yongvongphaiboon (managing director and shareholder of AMC) ("**Mr. Chusak**", together with the Thai Minority Shareholders, the "**Parties**"), in relation to the Proposed Disposal.

Following Completion of the Proposed Disposal, the Group will cease to hold any shares in Delong Thailand, and Delong Thailand will accordingly cease to be a subsidiary of the Group.

2. INFORMATION ON DELONG THAILAND

Delong Thailand was incorporated in Thailand on 16 January 2014 as a joint venture company, with its principal business activity being the manufacture and sale of hot-rolled narrow strip steel products.

As at the date of this announcement, Delong Thailand has an issued and paid-up share capital of THB1,000,000,000 comprising 10,000,000 ordinary shares, with its shareholding structure as follows:

	No. of shares in Delong Thailand	Percentage of shareholding in Delong Thailand (%)
Delong Singapore	5,500,000	55
AMC	2,000,000	20
THE	2,000,000	20
Mr. Win	500,000	5
Total	10,000,000	100

The Proposed Disposal will involve the disposal of the Group's entire equity interest in Delong Thailand, comprising 5,500,000 ordinary shares and representing 55% shareholding interest (the "**Sale Shares**"), to AMC, THE, Mr. Chusak and Mr. Virachai Suteerachai (father of Mr. Win) (collectively, the "**Purchasers**").

3. SALIENT TERMS OF THE SPA AND OTHER DEFINITIVE AGREEMENTS

The salient terms of the SPA and other Definitive Agreements (as detailed below) include, *inter alia*, the following:

3.1 Consideration

The aggregate consideration for the Sale Shares will be THB385,000,000 (approximately S\$15,524,194¹) (i.e. THB70 per Sale Share) (the "**Consideration**"), which was arrived at based on arm's length negotiations and on a willing-buyer willing-seller basis, having taken into account the unaudited net asset value of Delong Thailand as at 31 October 2016.

The Consideration will be paid severally by the Purchasers in the following proportions:

	No. of Sale Shares to be acquired	Consideration (THB)
AMC	1,000,000	70,000,000
THE	3,000,000	210,000,000
Mr. Chusak	1,000,000	70,000,000
Mr. Virachai (as procured by Mr. Win)	500,000	35,000,000
Total	5,500,000	385,000,000

The terms of payment of the Consideration shall be as follows:

- (i) an aggregate deposit of THB77,000,000 (approximately S\$3,104,839¹) (the "**Deposit**"), being 20% of the Consideration, shall be payable severally in cash to Delong Singapore on the date of execution of the SPA; and

¹ Based on an exchange rate of 1SGD: THB24.80 and 1SGD: RMB4.82 as at 24 January 2017 (source: Reuters).

- (ii) the aggregate balance of THB308,000,000 (approximately S\$12,419,355¹) (the “**Balance Consideration**”), being the remaining 80% of the Consideration, shall be payable severally in cash to Delong Singapore on Completion.

The Deposit shall be refundable respectively to the Purchasers in the event that the SPA is terminated for reasons not attributable to any fault and/or default on the part of any Purchaser and/or Mr. Win.

3.2 Shareholder’s Loan and Settlement Agreement

Concurrent with the execution of the SPA and as a condition to Completion, the Parties shall cause Delong Thailand to enter into a settlement agreement with Delong Singapore (the “**Settlement Agreement**”) to fully settle all liabilities owing by Delong Thailand to Delong Singapore, pursuant to which Delong Thailand shall repay the outstanding shareholder’s loan owing to Delong Singapore (the “**Shareholder’s Loan**”) as follows:

- (i) THB120,000,000 (approximately S\$4,838,710¹), being part of the outstanding principal amount of the Shareholder’s Loan, to be repayable on the date of execution of the SPA; and
- (ii) such remaining amount of the Shareholder’s Loan, including all accrued interest up to the date of Completion (the “**Balance Shareholder’s Loan**”), to be repayable on Completion.

3.3 Termination Agreement and Employment Termination Letter

Concurrent with the execution of the SPA and as a condition to Completion, the Thai Minority Shareholders shall also enter into a termination agreement with Delong Singapore (the “**Termination Agreement**”), pursuant to which the parties’ rights and obligations under a prior joint venture agreement shall be terminated, and be released and discharged *inter se*, with effect from Completion (subject to the receipt of the Balance Consideration and Balance Shareholder’s Loan by Delong Singapore).

Further, the Parties shall cause Delong Thailand to enter into an employment termination letter (the “**Employment Termination Letter**”) for purposes of payment of compensation to relevant employees who had been terminated and the discharge of liabilities owing by Delong Thailand thereunder.

3.4 Escrow Agreement

Concurrent with the execution of the SPA and as a condition to Completion, Delong Singapore and the Purchasers shall appoint an escrow agent, for the purposes of holding the relevant completion deliverables of Delong Singapore in escrow until the receipt of the Balance Consideration and Balance Shareholder’s Loan by Delong Singapore at Completion.

3.5 Change of Name

The Purchasers shall, within 30 days after Completion, procure that:

- (i) the name of Delong Thailand be changed so as not to contain the word “Delong”; and
- (ii) Delong Thailand will cease to use the name “Delong” in all of its activities.

3.6 Completion

Completion is expected to take place no later than 31 January 2017 (or such deferred date as mutually agreed between the Parties), subject to the satisfaction and/or waiver of relevant conditions precedent.

The disposal of all the Sale Shares shall take place simultaneously on Completion.

4. **RATIONALE FOR THE PROPOSED DISPOSAL**

As disclosed in the Announcements, Delong Thailand had temporarily ceased operations with effect from 18 November 2016, due to disagreements between Delong Singapore and the Thai Minority Shareholders, resulting in an ongoing deadlock. As such, the Proposed Disposal represents a good opportunity for the Group to realise its investment and recycle its capital investment.

5. **VALUE OF THE SALE SHARES**

5.1 Book value and net tangible asset value of the Sale Shares

The book value (and net tangible asset value) of the Sale Shares is approximately RMB73,360,000 (approximately S\$15,219,917¹), based on the latest announced unaudited accounts of Delong Thailand as at 30 September 2016.

5.2 Net profits attributable to the Sale Shares

Based on the latest announced unaudited accounts of Delong Thailand as at 30 September 2016, the net profits attributable to the Sale Shares is approximately RMB1,695,000 (approximately S\$351,660¹).

5.3 Gain on disposal of the Sale Shares

The excess of the proceeds from the Proposed Disposal over the book value of the Sale Shares as at 30 September 2016 is approximately RMB1,466,615 (approximately S\$304,277¹). The Group is expected to recognise a gain on disposal of approximately RMB984,615 (approximately S\$204,277)¹ upon Completion.

The proceeds from the Proposed Disposal is intended to be used for working capital purposes.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Group are set out below. The pro forma effects have been prepared based on the latest figures derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2015 ("FY2015") and are purely for illustration purposes only and do not reflect the actual financial position of the Group after Completion:

(a) Effect on Net Tangible Asset ("NTA") per Share

For illustrative purposes only, had Completion taken place on 31 December 2015, and based on the audited consolidated financial statements of the Group for FY2015, the financial effect of the Proposed Disposal on the Group's NTA per Share is as follows:

	As at 31 December 2015	
	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	2,286,573	2,287,558
Number of Shares	110,182,709	110,182,709
NTA per Share (RMB)	20.75	20.76

(b) Effect on Earnings per Share ("EPS")

For illustrative purposes only, had Completion taken place on 1 January 2015, and based on the audited consolidated financial statements of the Group for FY2015, the financial effect of the Proposed Disposal on the Group's EPS is as follows:

	FY2015	
	Before the Proposed Disposal	After the Proposed Disposal
Net loss after tax (RMB)	(392,845)	(391,860)
Weighted average number of issued Shares	110,182,709	110,182,709
Losses per Share (RMB)	(3.57)	(3.56)

7. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

Based on the latest announced consolidated unaudited accounts of the Group as at 30 September 2016, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Bases of calculation	Relative figure
<u>Rule 1006(a)</u>	
Net asset value of the assets to be disposed of, compared with the Group's net asset value ⁽¹⁾	2.5%

<u>Rule 1006(b)</u>	
Net profits attributable to the assets disposed of, compared with the Group's net profits ⁽²⁾	0.3%
<u>Rule 1006(c)</u>	
Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	44.0%
<u>Rule 1006(d)</u>	
Number of equity securities issued by the Company as consideration for the disposal, compared with the number of equity securities previously in issue ⁽⁴⁾	Not Applicable
<u>Rule 1006(e)</u>	
Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company ⁽⁴⁾	Not Applicable

Notes:

- (1) "Net assets" is defined as total assets less total liabilities.

Net asset value for the Group of approximately RMB2,925,770,000 (approximately S\$607,006,224) is based on the latest announced consolidated unaudited net asset value as at 30 September 2016.

Net asset value of the assets to be disposed of approximately RMB73,360,000 (approximately S\$15,219,917) is based on the latest announced unaudited net profits for Delong Thailand as at 30 September 2016.

- (2) "Net profits" is defined as profit or loss before income tax, minority interests, and extraordinary items.

Net profits for the Group of approximately RMB609,800,000 (approximately S\$126,514,523) is based on the latest announced consolidated unaudited net profits as at 30 September 2016.

Net profits attributable to the assets to be disposed of approximately RMB1,695,000 (approximately S\$351,660) is based on the latest announced unaudited net profits for Delong Thailand as at 30 September 2016.

- (3) The market capitalisation of the Company of approximately S\$35,258,467 is determined by multiplying the 110,182,709 shares of the Company (the "Shares") in issue as at the date of this announcement by the volume-weighted average price of the Shares of S\$0.32 on 24 January 2017 (being the immediate market day preceding the date of signing of the SPA).

- (4) Rule 1006(d) of the Listing Manual is not applicable as it only applies to an acquisition. Rule 1006(e) of the Listing Manual is not applicable as it only applies to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

- (5) Where relevant, based on an exchange rate of 1SGD: RMB4.82 as at 24 January 2017 (source: Reuters).

As disclosed in the Announcement dated 21 December 2016, the Company had applied to the Singapore Exchange Securities Trading Limited and had obtained a Waiver from compliance with the requirement for shareholders' approval in relation to the Proposed Disposal. Accordingly, the Company will not be convening an extraordinary general meeting to seek shareholders' approval for the Proposed Disposal. Further details of the Waiver are contained in the Announcement dated 21 December 2016.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company (if any).

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

9. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the Company's registered office located at 55 Market Street, Level 10, Singapore 048941 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Ding Liguao
Executive Chairman
25 January 2017