



DELONG HOLDINGS LIMITED (REG NO. 199705215G)

ENTRY INTO BINDING MEMORANDUM OF UNDERSTANDING

1. INTRODUCTION

The board of directors (the “**Board**”) of Delong Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Group’s subsidiary, Delong Steel Limited (“**Delong Steel**”), has on 10 May 2017 entered into a binding memorandum of understanding (the “**MOU**”) with Beijing Shougang Mining Investment Co., Ltd. (the “**Vendor**”) in relation to the proposed acquisition by Delong Steel of 51% of the equity stake in Anhui Shoukuang Dachang Metal Materials Limited Company (the “**Target Company**”) from the Vendor (the “**Proposed Acquisition**”).

2. INFORMATION ON THE TARGET COMPANY AND THE VENDOR

2.1 Information on the Target Company

The Target Company is a limited liability company lawfully established and validly existing under the laws of the People’s Republic of China (“**PRC**”) with a registered and paid-up capital of RMB3 billion, of which 51% is owned by the Vendor, and the remaining 49% is owned by Anhui Dachang Mining Group.

The Target Company will be principally engaged in the manufacture and sale of steel bars and wire rods.

The Target Company is currently constructing an integrated steel plant, which will upon completion, result in the Target Company generating an annual production capacity of approximately 3.05 million tonnes. The construction has stopped since 2014 due to insufficient funding.

2.2 Information on the Vendor

The Vendor is a limited liability company which is state-owned and lawfully established and validly existing under the laws of the PRC with a registered and paid-up capital of RMB1.364 billion, of which 86.14% is owned by Shougang Corporation, and the remaining 13.86% is owned by China Shougang International Trade & Engineering Corporation.

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.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition presents a good opportunity for the Group to expand its core business, and serves as a new engine of growth for the Company, so as to enhance long-term shareholders' value. The Company is anticipating that its indirect wholly-owned subsidiary, Laiyuan County Aoyu Steel Co., Ltd. ("**Aoyu Steel**"), will cease its steel-making operations in the near future. As the Group's steel production capacity will be significantly reduced following the cessation of Aoyu Steel's operations once this is ordered by the PRC government, the Group recognises the need to maintain its scale of production and competitive edge in order to gain a foothold in the steel industry. More information on the foregoing can be found in the announcement made by the Company on 3 April 2017.

The Proposed Acquisition also presents a good opportunity for the Group to relocate its management staff and workers, who will be rendered redundant once Aoyu Steel ceases its operations.

Further, the Group has excess cash reserves which it intends to deploy for the purposes of mergers and acquisitions.

4. SALIENT TERMS OF THE MOU

4.1 Due Diligence on the Target Company

Pursuant to Delong Steel signing a confidentiality letter on 19 April 2017 and providing the Vendor with the same, the Vendor shall supervise and coordinate the due diligence to be conducted on the Target Company with Delong Steel (the "**Target Company Due Diligence**"). The Vendor shall be responsible for the accuracy and authenticity of all materials and data provided to Delong Steel in relation to the Target Company. Delong Steel shall complete the Target Company Due Diligence before 31 May 2017.

4.2 Audit and Assessment on the Target Company

Delong Steel acknowledges that the 51% equity stake in the Target Company held by the Vendor (the "**Target Stake**") is state-owned property and the Vendor shall entrust a third party authority with legal qualification to audit and assess the Target Company and the Target Stake in accordance with the applicable PRC laws and approved asset assessment procedures (the "**Audit and Assessment Procedures**"). The Vendor shall transfer the Target Stake at a price not lower than that derived from the results of the Audit and Assessment Procedures.

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 in accordance with the results of the approved Audit and Assessment Procedures at a price not lower than the price listed by the Vendor (the "**Bidding Exercise**"). As the Target Stake is considered state-owned property in the PRC, the Proposed Acquisition is subject to open tender processes and there will be other bidders participating in the Bidding Exercise.

4.3 Payment of RMB10 million

Delong Steel further agrees to pay the Vendor a sum of RMB10 million within seven (7) working days after signing the MOU as a form of guarantee that Delong Steel 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 shall compensate the Vendor for the costs in relation to the Audit and Assessment Procedures and professional legal fees if Delong Steel breaches the terms and conditions of the MOU and does not participate in the Bidding Exercise, or gives up in participating in the Bidding Exercise 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 to terminate the MOU. The Vendor shall return any remaining amounts of the Commitment Sum to Delong Steel within seven (7) working days from the date when the Vendor gives the written notice of termination of the MOU.

If Delong Steel 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 within seven (7) working days from the closing of the bid and the MOU will be terminated. If Delong Steel successfully bids for the Target Stake and signs a formal agreement for the transfer of the Target Stake, the Commitment Sum may be deemed to form part of the cost or performance obligation to be paid or performed by Delong Steel in the purchase of the Target Stake.

The Vendor shall promptly inform Delong Steel in writing and return the full amount of the Commitment Sum to Delong Steel as soon as possible if the MOU terminates due to reasons provided by the Vendor.

4.4 Termination

In the event that the Audit and Assessment Procedures are not completed within 180 days from the date of signing the MOU, Delong Steel and the Vendor shall have the right to terminate the MOU by giving to the other party written notice. Within seven (7) working days from the date when the Vendor sends or receives written notice to terminate the MOU, the Vendor shall return all of the Commitment Sum to Delong Steel.

Delong Steel shall also have the right to terminate the MOU in the following circumstances:

- (a) in the event that the price listed by the Vendor 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 obtained by Delong Steel due to reasons unrelated to Delong Steel.

4.5 Term

The MOU is valid for one (1) year and will be automatically terminated one (1) year after the date of the signing of the MOU. However, if the Audit and Assessment Procedures have been completed, the term of the MOU 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 terminate the MOU.

4.6 Definitive Agreement

The MOU shall be deemed as the initial intention of the parties to carry out the Proposed Acquisition and the parties may further negotiate and sign any other agreements. When Delong Steel makes a successful bid for the Target Stake, the parties shall sign a definitive share transfer agreement in relation to the transfer of the Target Stake (the “**Definitive Agreement**”).

4.7 Confidentiality

Delong Steel confirms that the MOU and the information disclosed through signing and performing the MOU shall be bound by the terms and conditions as set out in the confidentiality letter provided by Delong Steel to the Vendor on 19 April 2017.

5. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the listing manual of the Singapore Exchange Securities Trading Limited, as and when there are material developments in respect of the Proposed Acquisition.

6. CAUTIONARY STATEMENT

Shareholders should note that there is no certainty or assurance as at the date of this announcement that Delong Steel can successfully bid for the Target Stake and/or the Proposed Acquisition will be completed.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Ding Liguo
Executive Chairman
10 May 2017