
PROPOSED DIVERSIFICATION OF CORE BUSINESS OF THE GROUP TO INCLUDE THE INVESTMENT BUSINESS – PROPOSED INVESTMENTS IN PRIVATE EQUITY FUNDS

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Delong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement dated 23 August 2016 (the “**Proposed Diversification Announcement**”) in relation to (a) the proposed diversification of the core business of the Group (the “**Proposed Business Diversification**”) to include investing in quoted and/or unquoted securities, as well as providing seed and mezzanine capital to private companies with growth potential and undertaking business incubation and angel investments (the “**Investment Business**”) and (b) the proposed investment in 青岛酷特智能股份有限公司 (Qingdao Kutesmart Co., Ltd.) (the “**Qingdao Kutesmart Investment**”). Unless otherwise defined, capitalised terms used in this announcement shall bear the same meaning as ascribed to them in the Proposed Diversification Announcement.

As mentioned in the Proposed Diversification Announcement, the Group may, from time to time, undertake subsequent investments through other forms, including through private equity firms, amongst others, in pursuance of the Investment Business. In this regard, in addition to the Qingdao Kutesmart Investment, the Board, after careful consideration, would also like to propose for the Company to undertake the investments in (a) the 苏州工业园区顺为科技股权投资合伙企业（有限合伙）(Suzhou Industrial Park Shunwei Technology Equity Investment L.P.) (the “**Shunwei Fund**”) and (b) CEG Ventures I, L.P. (the “**CEG Fund**”).

2. PROPOSED PE INVESTMENTS

The Company has today, through its wholly-owned subsidiaries, entered into the following agreements:

- (a) a limited partnership agreement (the “**Shunwei Partnership Agreement**”) for the subscription by Delong Steel Limited (“**Delong Steel**”) of RMB40 million (equivalent to approximately S\$8.2 million¹) (the “**Shunwei Fund Investment**”); and

¹ Based on the current exchange rate of RMB4.8980:S\$1.0000 (the “**RMB Exchange Rate**”) on 1 September 2016, being the last full market day on which the Shares were traded on the SGX-ST prior to the date of this Announcement (the “**Last Trading Day**”).

- (b) a limited partnership agreement (the “**CEG Partnership Agreement**”) for the subscription by Asia Paragon International Limited (“**Asia Paragon**”) of US\$8.5 million (equivalent to approximately S\$11.6 million²) representing 8.5% of partnership interest in the CEG Fund (the “**CEG Fund Investment**”).

The Shunwei Fund Investment and the CEG Fund Investment are hereinafter collectively referred to as the “**Proposed PE Investments**”. As stated in the Proposed Diversification Announcement, the Qingdao Kutesmart Investment constitutes a major transaction. In addition, the Shunwei Fund Investment and the CEG Fund Investment each also constitutes a major transaction. Accordingly, each of the Qingdao Kutesmart Investment, the Shunwei Fund Investment and the CEG Fund Investment (collectively, the “**Proposed Investments**”) is conditional upon and subject to the approval of the shareholders of the Company (the “**Shareholders**”) under Rule 1014 of the listing manual of the SGX-ST (“**Listing Manual**”).

As mentioned in the Proposed Diversification Announcement, the Board intends to convene an extraordinary general meeting (“**EGM**”) to seek Shareholders’ approval for (a) the Proposed Business Diversification; and (b) subject to and contingent upon the passing of the ordinary resolution for the Proposed Business Diversification, the Qingdao Kutesmart Investment. As each of the Proposed PE Investments is also conditional upon and subject to the approval of Shareholders, the EGM will also include a proposal to seek Shareholders’ approval for each of the Proposed PE Investments. For the avoidance of doubt, none of the Qingdao Kutesmart Investment or the Proposed PE Investments are inter-conditional. A circular (“**Circular**”), setting out the relevant information on the Proposed Business Diversification, the Qingdao Kutesmart Investment and each of the Proposed PE Investments (collectively, the “**Proposed Transactions**”), will be despatched to Shareholders in due course.

It is envisaged that the Group will enter into agreements and/or arrangements in connection with the Investment Business from time to time, as and when an appropriate opportunity arises. In such instances, the Group will make an announcement containing relevant details of the new agreement and/or arrangement, as required under the Listing Manual.

3. INFORMATION ON THE SHUNWEI FUND

3.1 Shunwei Fund Structure

The Shunwei Fund is a limited partnership private equity fund established under the laws of the People’s Republic of China (the “**PRC**”) in 2016. The sole general partner of the Shunwei Fund is Lhasa Economic and Technological Development Zone Shunchuang Venture Investment L.P., a limited partnership established under the laws of the PRC (the “**Shunwei General Partner**”).

3.2 Investment Objectives

The Shunwei Fund will invest primarily in the internet, technology, media and telecommunications (“**TMT**”) industry in the PRC. The major investment targets of the Shunwei Fund are start-up companies in the TMT industry in the PRC.

² Based on the current exchange rate of US\$1.0000:S\$1.3637 (the “**USD Exchange Rate**”) on the Last Trading Day.

3.3 **Shunwei Fund Size and Terms**

The Shunwei Fund is expected to have an aggregate capital commitment of up to RMB1.0 billion (equivalent to approximately S\$204.2 million based on the RMB Exchange Rate). (the **“Shunwei Fund Aggregate Capital Commitment”**). Under the Shunwei Partnership Agreement, Delong Steel has agreed to become a limited partner of the Shunwei Fund and to subscribe for a limited partnership interest in the Shunwei Fund with an aggregate capital commitment of RMB40 million (equivalent to approximately S\$8.2 million based on the RMB Exchange Rate) (the **“Shunwei Capital Commitment”**). The remaining Shunwei Fund Aggregate Capital Commitment is contemplated to be contributed by the Shunwei General Partner and the other limited partners of the Shunwei Fund (together with Delong Steel, the **“Shunwei Limited Partners”**). The Shunwei Capital Commitment was arrived at on a willing buyer willing seller basis.

The Shunwei Capital Commitment to be contributed by Delong Steel is to be paid by installments, pursuant to notices of capital calls issued by the Shunwei General Partner (**“Shunwei Capital Calls”**), in such amounts and at such times as the Shunwei General Partner determines. The refundable first Shunwei Capital Call is to be paid within 15 business days from the date of notice of the first Shunwei Capital Call. In the event that the first Shunwei Capital Call is paid prior to the EGM and Shareholders’ approval for the Shunwei Fund Investment is not obtained, the first Shunwei Capital Call shall be refunded forthwith to Delong Steel.

The investment period of the Shunwei Fund is expected to be a period of up to five years commencing from the date of the closing of the Shunwei Fund (being the date on which the Shunwei Fund Aggregate Capital Commitment is fully raised, which is expected to be in the fourth quarter of 2016) (the **“Shunwei Fund Closing Date”**).

The term of the Shunwei Fund is expected to be 10 years commencing from the Shunwei Fund Closing Date.

3.4 **Condition Precedent**

The Shunwei Partnership Agreement is conditional upon approval by the Shareholders at the EGM for the Shunwei Investment being obtained.

3.5 **Management of the Shunwei Fund**

Pursuant to the Shunwei Partnership Agreement, the Shunwei General Partner shall provide investment management and administrative services to the Shunwei Fund, and may delegate such functions to a manager in accordance with the Shunwei Partnership Agreement. The manager shall receive an annual management fee equal to 2% of the Shunwei Limited Partners’ aggregate capital commitments, payable quarterly in advance.

4. **INFORMATION ON THE CEG FUND**

4.1 **CEG Fund Structure**

The CEG Fund is organised as an exempted limited partnership incorporated under the laws of the Cayman Islands in 2016. The CEG Fund is managed by its general partner, CEG Ventures I GP, L.P., an exempted limited partnership established under the laws of the Cayman Islands (the **“CEG General Partner”**).

4.2 **Investment Objectives**

The CEG Fund will invest primarily in seed and early stage internet-related and IT companies which have operations (planned or existing) in the TMT industry in the United States of America (“USA”) or with a significant nexus to the TMT industry in the USA.

4.3 **CEG Fund Size and Term**

The CEG Fund is expected to have an aggregate capital commitment of US\$100 million (the “**CEG Fund Aggregate Capital Commitment**”). Under the CEG Partnership Agreement, Asia Paragon has agreed to become a limited partner of the CEG Fund and to subscribe for a limited partnership interest in the CEG Fund with an aggregate capital commitment of USD8.5 million (equivalent to approximately S\$11.6 million based on the USD Exchange Rate) (the “**CEG Capital Commitment**”). The CEG Capital Commitment by Asia Paragon represents 8.5% of the total committed capital of the CEG Fund of US\$100 million (equivalent to approximately S\$136.4 million based on the USD Exchange Rate). The remaining CEG Fund Aggregate Capital Commitment is to be contributed by the CEG General Partner (1.0%) and the rest of the limited partners of the CEG Fund (90.5%) (together with Asia Paragon, the “**CEG Limited Partners**”). The CEG Capital Commitment was arrived at on a willing buyer willing seller basis.

The CEG Capital Commitment to be contributed by Asia Paragon is to be paid in four installments, with the first refundable installment payment of 35% to be paid within 10 business days from the date of the capital call notice in respect thereof (the “**Initial Contribution Date**”). In the event that the first installment payment of 35% is paid prior to the EGM and Shareholders’ approval for the CEG Fund Investment is not obtained, the first installment payment of 35% shall be refunded forthwith to Asia Paragon. The remaining 25%, 20% and 20% of the CEG Capital Commitment shall be respectively payable every six months after the Initial Contribution Date.

A portion of each installment is required to be held in a separate account for the purposes of payments of future expenses (including management fees), follow-on investments in portfolio companies, and such other matters as the CEG General Partner shall reasonably determine (collectively, the “**Reserved Matters**”). The CEG General Partner may make capital calls, in such amounts and at such time as it in its discretion deem fit, directly from such segregated account in respect of any such Reserved Matters as aforementioned.

The investment period of the CEG Fund is expected to be a period of up to five years commencing from the date of the closing of the CEG Fund (being the date on which the CEG Fund Aggregate Capital Commitment is fully raised, which is expected to be in September 2016) (the “**CEG Fund Closing Date**”).

The CEG Fund has an eight-year term commencing from the CEG Fund Closing Date, with two one-year extensions at the option of the CEG General Partner, and an additional two one-year extensions with the approval of a majority in interest of CEG Limited Partners.

4.4 **Condition Precedent**

The CEG Partnership Agreement is conditional upon approval by the Shareholders at the EGM for the CEG Investment being obtained.

4.5 **Management of the CEG Fund**

Pursuant to the CEG Partnership Agreement, the CEG General Partner or its designee shall provide management and administrative services to the CEG Fund and shall receive an annual management fee equal to 2% of the total committed capital of the CEG Fund, payable annually in advance. If the term of the CEG Fund is extended beyond eight years, the annual management fee shall be equal 1% of the total committed capital of the CEG Fund for each such year the term of the CEG Fund is so extended.

The CEG Fund has an advisory committee comprising up to five members selected by the CEG General Partner (the “**CEG Advisory Committee**”). The duties and responsibilities of the CEG Advisory Committee include, without limitation, reviewing certain conflict of interest matters, approving transactions which are designated as “passive investments” made by the CEG Fund and monitoring the CEG General Partner’s valuation of fund assets that are not readily marketable. Without the approval of the CEG Advisory Committee, no more than 20% of the CEG Fund Aggregate Capital Commitment shall be invested in the stocks of any single issuer.

5. **RATIONALE FOR THE PROPOSED PE INVESTMENTS**

The Shunwei Fund and the CEG Fund are private equity firms which aim to develop venture capital and fund management expertise through a variety of portfolio companies. The Group intends to leverage on the strong growth potential and vast investment opportunities in the TMT industry in the PRC and the USA through the Proposed PE Investments. The Group has thus identified the Shunwei General Partner and the CEG General Partner based on, amongst others, their strong track record in the TMT industry in the respective jurisdictions, their established channels with reputable business partners and the leadership by core teams of experienced management personnel who possess extensive experience in private venture enterprises. The Group aims to leverage on such investment expertise of the Shunwei General Partner and the CEG General Partner in accordance with its efforts to pursue new investment opportunities.

Accordingly, following a strategic review by the Board, the Group intends to undertake the Proposed PE Investments as investments under the Investment Business.

6. **FUNDING FOR THE PROPOSED PE INVESTMENTS**

The Proposed PE Investments will be funded through the internal resources of the Company.

7. MAJOR TRANSACTIONS UNDER CHAPTER 10 OF THE LISTING MANUAL

7.1 Relative Figures for the Shunwei Fund Investment

The relative figures for the Shunwei Fund Investment computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable ⁽¹⁾
(c)	The aggregate value of the consideration given ⁽²⁾ or received, compared with the Company's market capitalisation ⁽³⁾ based on the total number of issued shares in the share capital of the Company excluding treasury shares.	24.4%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
(e)	The 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, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Rule 1006(b) is not applicable as there are no audited consolidated net profits of the Shunwei Fund for the financial year ended 31 December 2015 ("FY2015") as the Shunwei Fund was established in 2016.
- (2) Based on the Shunwei Capital Commitment of RMB40 million (equivalent to S\$8.2 million based on the RMB Exchange Rate).
- (3) The market capitalisation of the Company of approximately S\$33.61 million is calculated on the basis of 110,182,709 ordinary shares in the capital of the Company in issue ("Shares") multiplied by the weighted average price of the Shares transacted on the Last Trading Day.
- (4) Rule 1006(d) is not applicable as no shares in the Company will be issued as consideration for the Shunwei Fund Investment.

As the relative figure under Rule 1006(c) of the Listing Manual exceeds 20%, the Shunwei Fund Investment constitutes a major transaction under Rule 1014 of the Listing Manual and the Company will be seeking approval of Shareholders at the EGM to be convened.

7.2 Relative Figures for the CEG Fund Investment

The relative figures for the CEG Fund Investment computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable ⁽¹⁾
(c)	The aggregate value of the consideration given ⁽²⁾ or received, compared with the Company's market capitalisation ⁽³⁾ based on the total number of issued shares in the share capital of the Company excluding treasury shares.	34.5%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
(e)	The 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, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Rule 1006(b) is not applicable as there are no audited consolidated net profits of the CEG Fund for the financial year ended 31 December 2015 ("FY2015") as the CEG Fund was established in 2016.
- (2) Based on the CEG Capital Commitment of USD8.5 million (equivalent to S\$11.6 million based on the USD Exchange Rate).
- (3) The market capitalisation of the Company of approximately S\$33.61 million is calculated on the basis of 110,182,709 ordinary shares in the capital of the Company in issue ("Shares") multiplied by the weighted average price of the Shares transacted on the Last Trading Day.
- (4) Rule 1006(d) is not applicable as no shares in the Company will be issued as consideration for the CEG Fund Investment.

As the relative figure under Rule 1006(c) of the Listing Manual exceeds 20%, the CEG Fund Investment constitutes a major transaction under Rule 1014 of the Listing Manual and the Company will be seeking approval of Shareholders at the EGM to be convened.

8. FINANCIAL EFFECTS OF THE PROPOSED PE INVESTMENTS

The financial effects of the Group after the Proposed PE Investments set out in this announcement below are for illustrative purposes only and should not be taken as an indication of the actual future financial performance or position of the Group following the Proposed PE Investments, nor a projection of the future financial performance or position of the Group after completion of the Proposed PE Investments.

8.1 Financial Effects for the Shunwei Fund Investment

8.1.1 Assumptions

The financial effects of the Shunwei Fund Investment on the Group are based on the audited consolidated financial statements of the Group for FY2015, and the assumptions set out below:

- (a) The financial effects of the Shunwei Fund Investment are based on the terms of the Shunwei Partnership Agreement as at 2 September 2016, in particular, the Shunwei Capital Commitment of RMB40 million (equivalent to S\$8.2 million based on the RMB Exchange Rate); and
- (b) The Shunwei Fund Investment will be funded through internal cash resources of the Company.

8.1.2 Net tangible assets ("NTA")

Assuming that the Shunwei Fund Investment had been completed on 31 December 2015, the financial effects on the consolidated NTA per Share as at 31 December 2015 are as follows:

	As at 31 December 2015	
	Before the Shunwei Fund Investment	After the Shunwei Fund Investment
NTA (RMB' 000)	2,286,573	2,286,573
Number of Shares	110,182,709	110,182,709
NTA per Share (RMB)	20.75	20.75

8.1.3 Losses per Share

Assuming that the Shunwei Fund Investment had been completed on 1 January 2015, the financial effects on the losses per share for FY2015 are as follows:

	FY2015	
	Before the Shunwei Fund Investment	After the Shunwei Fund Investment
Net loss after tax (RMB)	(392,845)	(392,845)
Weighted average number of issued Shares	110,182,709	110,182,709
Losses per Share (RMB)	(3.57)	(3.57)

8.2 Financial Effects for the CEG Fund Investment

8.2.1 The financial effects of the CEG Fund Investment on the Group are based on the audited consolidated financial statements of the Group for FY2015, and the assumptions set out below:

- (a) The financial effects of the CEG Fund Investment are based on the terms of the CEG Partnership Agreement as at 2 September 2016, in particular, the CEG Capital Commitment of US\$8.5 million (equivalent to S\$11.6 million based on the USD Exchange Rate).
- (b) The CEG Fund Investment will be funded through internal cash resources of the Company.

8.2.2 NTA

Assuming that the CEG Fund Investment had been completed on 31 December 2015, the financial effects on the consolidated NTA per Share as at 31 December 2015 are as follows:

	As at 31 December 2015	
	Before the CEG Fund Investment	After the CEG Fund Investment
NTA (RMB' 000)	2,286,573	2,286,573
Number of Shares	110,182,709	110,182,709
NTA per Share (RMB)	20.75	20.75

8.2.3 Losses per Share

Assuming that the CEG Fund Investment had been completed on 1 January 2015, the financial effects on the losses per share for FY2015 are as follows:

	FY2015	
	Before the CEG Fund Investment	After the CEG Fund Investment
Net loss after tax (RMB)	(392,845)	(392,845)
Weighted average number of issued Shares	110,182,709	110,182,709
Losses per Share (RMB)	(3.57)	(3.57)

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling Shareholders of the Company has an interest, direct or indirect, in the Shunwei Fund Investment or the CEG Fund Investment, other than through their respective shareholding interests, direct or indirect, in the Company.

10. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Shunwei Fund Investment or the CEG Fund Investment. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

11. CIRCULAR AND DOCUMENTS AVAILABLE FOR INSPECTION

The Circular containing information on the Proposed Transactions and enclosing the notice of EGM to seek Shareholders' approval for the Proposed Transactions will be despatched by the Company to Shareholders in due course.

A copy of the Shunwei Partnership Agreement and the CEG Partnership Agreement will be made available for inspection by the Shareholders at the registered office of the Company at 55 Market Street, Level 10, Singapore 048941 during normal business hours for three (3) months from the date of this Announcement.

12. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this Announcement that the Proposed Transactions will be completed. Shareholders are advised to read this Announcement and any further announcements and the Circular by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

BY ORDER OF THE BOARD

Ding Liguao
Executive Chairman

2 September 2016