

RESPONSE TO QUERY ON THE COMPANY'S ANNOUNCEMENT RELEASED ON 9 APRIL 2018

In response to the queries raised by the Singapore Exchange Limited in its email dated 9 April 2018, in relation to the Company's announcement released on 9 April 2018 titled "Response to SGX's queries", Delong Holdings Limited (the "Company", together with its subsidiaries, the "Group") wishes to provide the following additional information:-

Question 1

We note that shareholders' approval for the acquisition of a 2% stake in Kutesmart Co., Ltd's ("Kutesmart") was obtained at the Company's Extraordinary General Meeting held on 16 November 2016. The impairment loss of RMB 50 million (representing 83% of the Company's investment cost) was provided for in the Company's 4Q results for the quarter ended 31 December 2017. Please explain the significant deterioration in Kutesmart's financial performance in FY2017, shortly after the Company's investment.

Company's response

Based on the unaudited financial statements of Kutesmart (prepared in accordance with International Financial Reporting Standards) for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 respectively, the financial performance of Kutesmart showed an upward trend. There were no signs of deterioration.

The purchase consideration of RMB60.0 million for the Group's acquisition of 2% equity stake in Kutesmart ("Kutesmart Consideration") back in 2016 was arrived at on a willing-buyer and willing-seller basis after taking into consideration the price-to-earning (PE) ratio and business prospects of Qingdao Kutesmart. Kutesmart was valued at RMB3.0 billion at the time of the purchase (compared to the audited net book value of Kutesmart of approximately RMB477.4 million¹). Please refer to the Company's circular dated 31 October 2016 for further details on the basis of the Kutesmart Consideration.

Based on the latest unaudited financial statements of Kutesmart for the financial year ended 31 December 2017, the Kutesmart Consideration represents (1) a PE ratio of approximately 43 times of the profit after tax of Kutesmart; (2) a premium of 6 times of the net asset value per share of Kutesmart as at 31 December 2017 (i.e., Price to book or PB ratio). Accordingly, the PE ratio and PB ratio above are in fact improving as compared to the respective values as at the time of purchase.

¹ The financial statements were prepared in accordance with China Accounting Standards

In addition, the latest fundraising which was carried out in September 2017 also valued Kutesmart at RMB3.0 billion, which was equivalent to the valuation of Kutesmart in 2016.

Notwithstanding the above, according to the Financial Reporting Standards, the Company had carried out an assessment on Kutesmart based on its recoverable amount as at 31 December 2017 (based on the discounted estimated cash flow of the business) instead of based on an unquoted market valuation. Based on the assessment, an impairment loss of RMB50.0 million was provided for in the Group's audited financial statements for the financial year ended 31 December 2017.

About Qingdao Kutesmart Co., Ltd

Kutesmart is a private limited company which was incorporated in the PRC in 2007. It is engaged in the business of design and customisation of clothing and apparel through digital platforms and technological processes. Its business relies on information technology and advanced data collection and measurement processes, and operates a flexible assembly line which manufactures apparel based on customers' demands and specifications.

Through its automated customisation, design and production platform, Kutesmart is able to undertake mass production of personalised products at lower cost, higher efficiency and with minimal human error. Kutesmart's unique business is aimed at providing an upgrade from the traditional tailoring process for bespoke products in the apparel industry and to achieve greater customer satisfaction.

For further information on Kutesmart, please visit www.kutesmart.com

By Order of the Board

Executive Chairman