

XIDELANG HOLDINGS LIMITED (“XDL” OR THE “COMPANY”)

HEADS OF AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EXISTING BUSINESS AND UNDERTAKINGS OF JINJIANG YANGSEN GARMENTS CO., LTD (“YANGSEN”) INCLUDING ALL OF ITS ASSETS AND CERTAIN AGREED LIABILITIES

1. INTRODUCTION

The Board of Directors of XDL (“**Board**”) wishes to announce that the Company has on 29 July 2015 entered into a Heads of Agreement with YangSen for the acquisition of its entire existing business and undertakings including all of its assets and certain agreed liabilities (“**Proposed Acquisition**”) (“**HOA**”).

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is subject to a legal, financial and commercial due diligence to be conducted by XDL in respect of the assets, intellectual properties (such as brands and trademarks), contracts, distribution network and business (which will include but not limited to the sales, marketing, design and manufacturing capabilities) and certain agreed liabilities of YangSen (“**Due Diligence Exercise**”).

Upon satisfactory conclusion on negotiations of all terms and conditions relating to the Proposed Acquisition and the satisfactory outcome of the Due Diligence Exercise, XDL and YangSen (the “**Parties**”) will enter into a definitive agreement for the Proposed Acquisition (“**Definitive Agreement**”) based on the terms and subject to the conditions contained in the Definitive Agreement.

XDL proposes to satisfy the purchase consideration of the Proposed Acquisition (“**Acquisition Consideration**”) via cash and/ or issuance and allotment of new ordinary shares of USD0.03 each in XDL (“**XDL Shares**” or “**Shares**”) at the issue price of RM0.22 per Share, subject to such amount of cash and/or new Shares to be negotiated and agreed upon by the Parties prior to the execution of the Definitive Agreement, upon completion of the Due Diligence Exercise.

The Definitive Agreement will be entered into between the Parties within three (3) months from the date of the HOA (“**HOA Cut-Off Date**”), subject to the Parties’ mutual agreement in writing to extend the HOA Cut-Off Date.

A detailed announcement on the Proposed Acquisition will be made upon execution of the Definitive Agreement.

3. OTHER SALIENT TERMS OF THE HOA

3.1 Condition Precedent

The Proposed Acquisition shall be conditional upon the execution of the Definitive Agreement and, *inter alia*, the fulfillment of the following:-

- (i) satisfactory finalisation of the terms of the Proposed Acquisition;
- (ii) XDL being satisfied with the Due Diligence Exercise undertaken and there being no fact or circumstance discovered by XDL pursuant to the Due Diligence Exercise which would, in the reasonable opinion of XDL, be of material significance in the context of the transactions contemplated under the Definitive Agreement;

- (iii) all relevant or necessary consents and approvals being granted and not withdrawn or revoked by, including but without limitation, Bursa Securities for the listing of and quotation for the XDL Shares in relation to the Acquisition Consideration on the Main Market of Bursa Securities;
- (iv) XDL obtaining the approval of its Board and shareholders for the Proposed Acquisition subject to the terms and conditions of the Definitive Agreement and Proposed Expansion (*as defined below*); and
- (v) YangSen obtaining all such approval(s) necessary for the completion of the Proposed Acquisition including but not limited to the approval from its shareholders and subject to the terms and conditions of the Definitive Agreement.

3.2 Exclusivity Period

The HOA shall be effective from 29 July 2015 (“**Effective Date**”) and continue to be in full force until the HOA Cut-Off Date or upon mutual termination by the Parties or when superseded by the terms and conditions of the Definitive Agreement (“**Exclusivity Period**”).

During the Exclusivity Period, YangSen shall cease immediately any discussions between itself with any other third party (“**Third Party Negotiations**”) and shall not enter into any new Third Party Negotiations in relation to any material acquisition or disposal of those existing business and undertakings including all of its assets and certain agreed liabilities contemplated in the HOA.

3.3 Termination

YangSen shall allow XDL, its representatives and advisors full access to all pertinent information in relation to YangSen and its business within its control for the Due Diligence Exercise.

XDL shall complete the negotiation regarding the Proposed Acquisition leading to the Definitive Agreement within three (3) months from the date of the HOA or such period(s) as may be mutually agreed in writing by the Parties.

Upon the expiry of the HOA Cut-Off Date, in the event XDL is of the opinion that the outcome of the Due Diligence Exercise is not to the satisfaction of XDL for the Proposed Acquisition, then the HOA is deemed terminated, nullified, void and of no effect and none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise.

4. BASIS OF DETERMINING THE PROPOSED ISSUE PRICE OF THE CONSIDERATION SHARES

The proposed issue price of XDL Shares in relation to the Acquisition Consideration of RM0.22 per Share was arrived at between the Parties after taking into consideration, among others, prevailing market conditions, historical market price of XDL Shares and issue price of the consideration shares represents a premium of approximately 29.4% over the closing market price of XDL Shares on 28 July 2015, being the day immediately prior to the execution of the HOA, of RM0.17 per Share.

5. INFORMATION ON YANGSEN

Based in Quanzhou, Fujian Province, the People's Republic of China ("**PRC**"), YangSen was incorporated on 11 November 1993 and is principally involved in the design, manufacturing, distribution and marketing of apparels on an original design manufacturing basis for various internationally-recognised brands such as Primark, Mizuno, Joma, Killtec, NewYorker and Admiral, amongst others. The manufactured apparels are distributed to international markets including the United States of America, Europe, United Kingdom, Turkey and Brazil.

YangSen is ISO 9000 certified, which is a series of standards, developed and published by the International Organization for Standardization ("**ISO**"), that define, establish, and maintain an effective quality assurance system for manufacturing and service industries. Further, YangSen also attained ISO 14000 certification, which is a series of environmental management standards developed and published by the ISO.

6. PROPOSED EXPANSION OF THE BUSINESS OF XDL AND ITS SUBSIDIARIES

Subject to the successful implementation of the Proposed Acquisition, the Company proposes to expand the business of XDL and its subsidiaries ("**XDL Group**" or the "**Group**") to include manufacturing of apparels ("**Proposed Expansion**").

As the contribution from the manufacturing of apparels may potentially exceed 25% or more of the net profits of XDL in the future, the Board proposes to seek the prior approval from the shareholders of XDL at a special general meeting for the Proposed Expansion pursuant to Paragraph 10.13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**").

Pursuant to Paragraph 10.13(1) of the Listing Requirements, a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (i) The diversion of 25% or more of the net assets of the Company to an operation which differs widely from those operations previously carried on by the listed issuer; or
- (ii) The contribution from such an operation of 25% or more of the net profits of the listed issuer.

Presently, XDL is principally involved in the design, manufacturing and marketing of sports and leisure shoes as well as design and marketing of sports and leisure apparels. The Proposed Acquisition, if successful, will enable XDL to vertically integrate its existing operation and further strengthen and complement its existing designing and marketing of apparels leading to increase in sales of its apparels division. The Proposed Expansion would also provide another source of revenue and income to the XDL Group and is part of XDL Group's long term strategy of diversifying into an area with positive growth prospects.

Further details of the Proposed Expansion will be set out together with details of the Proposed Acquisition upon execution of the Definitive Agreement.

7. APPROVALS REQUIRED

No approval is required for the Company to enter into the HOA.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors, major shareholders of the Company and/or persons connected to them have any interest, whether direct or indirect, in the HOA and the Proposals.

9. DOCUMENT FOR INSPECTION

The HOA is available for inspection during normal office hours at the registered office of XDL, Level 18, The Garden North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 29 July 2015.