

XIDELANG HOLDINGS LTD ("XDL" OR "THE COMPANY") EXCLUSIVE DISTRIBUTION AGREEMENT BETWEEN XDL AND SEACERA POLYMER SDN BHD

We refer to the announcement by the Company dated 3 June 2020 ("Announcement") and the query by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 4 June 2020 in relation to the Agreement.

Unless otherwise stated, defined terms used in this reply shall have the same meanings as those used in the Announcement.

The Company wishes to provide the following additional information pursuant to the abovementioned query:

- 3. Given that Seacera Group Berhad ("Seacera") is principally engaged in tiles, construction and property business segments and have no prior experience in dealing with the protective clothing products, please provide further justification for XDL to appoint Seacera as the exclusive distributor with the exclusive right to resell and distribute XDL's protective clothing products (non-medical purpose) in all states of Malaysia.**

Reply

Seacera, through its subsidiary, has obtained the licence from the Malaysian local authority to store, supply and do business in the prevention protective products. Where applicable and upon request by its customers or relevant authority, Seacera will use the best endeavours to obtain any other necessary approval and licence for distribution and marketing of the protective clothing products.

In addition to that, Seacera possess extensive experience in trading and more importantly, has amassed a sizable pool of customers and business contacts both in Malaysia and neighbouring countries. These markets present promising prospects and demands for the protective clothing products.

To expedite the market penetration while keeping the risk exposure of the Group within acceptable level, the Group is of the opinion that the exclusive distributorship arrangement with Seacera is mutually beneficial and complementary.

- 4. Further clarification on whether the distribution of protective clothing products requires Malaysia's regulatory approval prior to it being sold to the public.**

Reply

As provided in the Exclusive Distribution Agreement, the Group is responsible for the supply of protective clothing products to Seacera for resale purposes.

As far as the Group was aware, Seacera, through its subsidiary, has obtained the licence from the Malaysian local authority to store, supply and do business in the prevention protective products. Where applicable and upon request by its customers or relevant authority, Seacera will use the best endeavours to obtain any other necessary approval and licence for distribution and marketing of the protective clothing products.

5. Investment risks for venturing into production of protective clothing products upon taking into consideration the business prospects in Malaysia.

Reply

The primary investment risk faced by the Group will be inadequate market awareness and acceptance of the protective clothing products in Malaysia's market.

Nonetheless, the Group is of the opinion that the investment risk is kept within an acceptance level given that there is no substantial new capital investment involved other than the RMB5 million (equivalent to approximately RM3 million) required to modify the existing production facilities and upgrade the machinery components. The marketing risk for the protective clothing products is shared with Seacera, where it has extensive trading experience and business network in the Malaysia market albeit not previously involved in dealing with protective clothing products.

This announcement is dated 9 June 2020.