

**BURSA MALAYSIA SECURITIES BERHAD'S QUERIES DATED 9 AUGUST 2017**

**XIDELANG HOLDINGS LIMITED ("XDL" OR THE "COMPANY")**

**MEMORANDUM OF UNDERSTANDING ON CO-OPERATION ("MOU") BETWEEN YELI INTERNATIONAL LIMITED ("YELI") AND HONGPENG FUJIAN SHOES & GARMENTS CO., LTD ("HPFS")**

We refer to the announcement by the Company dated 8 August 2017 ("**Announcement**") and the query by Bursa Malaysia Securities Berhad ("**Bursa Securities**") dated 9 August 2017 in relation to the MOU.

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:-

- 1. We note that HPFS is involved in the design, manufacturing and marketing of sports shoes, apparels, accessories and equipment under "XIDELANG" brand whereas YELI is an international shoes trading company. In this respect, Please clarify clearly whether HPFS will venture into the original design manufacturers for other brands other than "XIDELANG" under the strategic co-operation relationship between HPFS and YELI. If yes, please indicate the customers of YELI i.e. brand owner, whom HPFS will work with in the product specification and development.**

Reply

In respect of the cooperation with other brand, focus will be given to the design and also processing of products, i.e. ODM. At the moment, HPFS already commenced co-operative production for Zara and Pull & Bear.

- 2. Given that the strategic co-operation relationship between HPFS and YELI is only at the MOU stage, please provide the basis and justification as well as the level of certainty that the production order from YELI to HPFS over the next 24 months shall not be lower than RMB210 million.**

Reply

Expected order and mode of cooperation are determined by Yeli and its customers. The MOU was signed by HPFS and Yeli after much discussions and deliberations to achieve the agreed terms. This is so that both parties will be able to face the market competition and also future order cooperation. At the moment, Zara and Pull & Bear have already started to place order with HPFS. More brands will place order and cooperate with HPFS once things run smoothly.

- 3. Where applicable, please provide also the profit margin that will be attributable to HPFS arising from this arrangement.**

Reply

In regards to profit margin, it will be determined by various market factors which we cannot predict at the moment.

- 4. To further elaborate what is the right of recourse available to HPFS in the event the production orders from Yeli is less than RMB210 million in aggregate for the next twenty-four (24) months.**

Reply

There is no recourse under the MOU.

This announcement is dated 10 August 2017.