

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

PROPOSED BONUS ISSUE

For illustrative purposes and unless stated otherwise, all RM figures in this announcement were translated based on Bank Negara Malaysia (“BNM”)’s exchange rate of RMB1:RM0.6206 and USD1:RM3.8535 as at 4 August 2015, being the latest practicable date prior to this announcement (“LPD”).

1. INTRODUCTION

On behalf of the Board of Directors of XDL (“**Board**”), Mercury Securities Sdn Bhd (“**Mercury Securities**”) is pleased to announce that the Company proposes to undertake a bonus issue of up to 1,969,858,013 new ordinary shares of USD0.03 each in the Company (“**XDL Shares**” or “**Shares**”) (“**Bonus Shares**”), on the basis of one (1) Bonus Share for every one (1) existing Share held by entitled shareholders of the Company (“**Entitled Shareholders**”) on an entitlement date to be determined by the Board at a later date (“**Entitlement Date**”) (“**Proposed Bonus Issue**”).

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue entails the issuance of up to 1,969,858,013 Bonus Shares to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every one (1) existing Share held by the Entitled Shareholders on the Entitlement Date.

As at the LPD, the issued and paid-up share capital of the Company is USD39,657,613.35 comprising 1,321,920,445 Shares⁽¹⁾ and there are:-

- (i) 25,800,000 options under XDL’s existing employees’ share option scheme (“**ESOS**”) which have been granted but unexercised;
- (ii) 181,499,212 outstanding XDL warrants 2014 / 2017 issued by the Company pursuant to the deed poll dated 9 December 2013 (“**Warrants B**”); and
- (iii) 440,638,356 outstanding XDL warrants 2015 / 2018 issued by the Company pursuant to the deed poll dated 17 June 2015 (“**Warrants C**”).

Assuming full exercise of the unexercised ESOS options as well as the outstanding Warrants B and Warrants C, the enlarged issued and paid-up share capital of the Company would be USD59,095,740.39 comprising 1,969,858,013 Shares⁽¹⁾.

Based on the foregoing, the Proposed Bonus Issue entails the issuance of up to 1,969,858,013 Bonus Shares. In any event, the actual number of Bonus Shares to be issued will be determined based on the issued and paid-up share capital of Company on the Entitlement Date.

The Entitlement Date will be determined and announced at a later date after the receipt of all relevant approvals by the Company for the Proposed Bonus Issue. The Proposed Bonus Issue is not intended to be implemented in stages over a period of time.

Note:-

- (1) After excluding 1,000 treasury shares.

2.2 Capitalisation of reserves

The Proposed Bonus Issue is to be effected by way of capitalising the Company's capital reserve.

Based on the latest audited financial statements of XDL for the financial year ended 31 December ("FYE") 2014 and the latest unaudited financial statements of XDL for the three (3)-month financial period ended 31 March ("FPE") 2015, the capital reserve and retained profits balance, at both group and company levels, are as follows:-

	Group				Company			
	Unaudited FPE 2015	Unaudited FPE 2015	Audited FYE 2014	Audited FYE 2014	Unaudited FPE 2015	Unaudited FPE 2015	Audited FYE 2014	Audited FYE 2014
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Capital reserve ⁽¹⁾	489,446	303,750	-	-	489,446	303,750	-	-
Retained profits	577,993	358,702	574,437	356,496	32,741	20,319	33,107	20,546
Total	1,067,439	662,452	574,437	356,496	522,187	324,069	33,107	20,546

Note:-

(1) Capital reserve comprises contributed surplus arising from the par value reduction of XDL Shares from USD0.10 to USD0.03, which was undertaken by the Company and completed on 18 February 2015.

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For illustration purposes, the Proposed Bonus Issue shall be capitalised from the capital reserve account of the Company as follows:-

- Minimum Scenario : Assuming none of the granted ESOS options as well as the outstanding Warrants B and Warrants C are exercised prior to the Entitlement Date
- Maximum Scenario : Assuming all the granted ESOS options as well as the outstanding Warrants B and Warrants C are exercised prior to the Entitlement Date

Minimum Scenario

Company level	Unaudited FPE 2015	Unaudited FPE 2015
	RMB'000	RM'000
Capital reserve	489,446	303,750
Retained profits	32,741	20,319
Share premium	-	-
Total	522,187	324,069
Add:-		
Subsequent events ⁽¹⁾		
(i) Exercise of ESOS options	10,697	6,639
(ii) Expiry of warrants	23,710	14,714
(iii) Exercise of warrants	⁽³⁾ -	⁽³⁾ -
Less:-		
Capitalisation for the Proposed Bonus Issue	(246,247)	(152,821)
Estimated expenses ⁽²⁾	(483)	(300)
After the Proposed Bonus Issue		
Capital reserve	243,199	150,929
Retained profits	55,968	34,733
Share premium	10,697	6,639
Total	309,864	192,301

Notes:-

- (1) Subsequent events include:-
- (i) the exercise of 172,424,000 ESOS options since 1 April 2015 up to the LPD;
- (ii) the expiry of all the 261,778,452 XDL warrants 2012 / 2015 ("Warrants A") on 24 April 2015; and
- (iii) the exercise of 100 Warrants A and 1,333 Warrants C since 1 April 2015 up to the LPD.
- (2) Estimated expenses incidental to the Proposed Bonus Issue of RM300,000.
- (3) Negligible.

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Maximum Scenario

Company level	Unaudited FPE 2015	Unaudited FPE 2015
	RMB'000	RM'000
Capital reserve	489,446	303,750
Retained profits	32,741	20,319
Share premium	-	-
Total	522,187	324,069
Add:-		
Subsequent events ⁽¹⁾		
(i) Exercise of ESOS options	10,697	6,639
(ii) Expiry of warrants	23,710	14,714
(iii) Exercise of warrants	(3) ₋	(3) ₋
Increase in share premium assuming full exercise of all ESOS options, Warrants B and Warrants C	96,990	60,192
Less:-		
Capitalisation for the Proposed Bonus Issue	(366,944)	(227,725)
Estimated expenses ⁽²⁾	(483)	(300)
After the Proposed Bonus Issue		
Capital reserve	122,502	76,025
Retained profits	55,968	34,733
Share premium	107,687	66,831
Total	286,157	177,589

Notes:-

- (1) *Subsequent events include:-*
- (i) *the exercise of 172,424,000 ESOS options since 1 April 2015 up to the LPD;*
 - (ii) *the expiry of all the 261,778,452 Warrants A on 24 April 2015; and*
 - (iii) *the exercise of 100 Warrants A and 1,333 Warrants C since 1 April 2015 up to the LPD.*
- (2) *Estimated expenses incidental to the Proposed Bonus Issue of RM300,000.*
- (3) *Negligible.*

Pursuant to Paragraph 6.30(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), a listed issuer intending to make a bonus issue of securities must ensure that the necessary reserves required for capitalisation of the bonus issue are unimpaired by losses on a consolidated basis, where applicable, based on the listed issuer's latest audited financial statements as well as its latest quarterly report.

The Board confirms that based on XDL's and its subsidiaries' ("**XDL Group**" or the "**Group**") latest audited financial statements for FYE 2014 and latest unaudited financial statements for FPE 2015, the Group's reserves required to be capitalised for the purposes of the Proposed Bonus Issue is unimpaired by losses on a consolidated basis, in compliance with Paragraph 6.30(1) of the Listing Requirements.

The Board also confirms that based on the Group's latest audited financial statements for FYE 2014 and unaudited financial statements for FPE 2015 as well as after the adjustments set out in the table above, the Company has sufficient reserves at both group and company levels for the capitalisation of the Proposed Bonus Issue.

2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid up XDL Shares, save and except they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the registered holders of XDL Shares (“**Shareholders**”), where the entitlement date precedes the date of allotment of the Bonus Shares.

2.4 Listing and quotation of the Bonus Shares

The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

The Entitlement Date shall be determined by the Board after all the relevant approvals from the relevant authorities and Shareholders have been obtained for the Proposed Bonus Issue.

3. RATIONALE FOR THE PROPOSED BONUS ISSUE

The rationale of the Proposed Bonus Issue is as follows:-

- (i) to reward existing Shareholders for their loyalty and continuous support by enabling them to have greater participation in the Company’s equity in terms of the number of Shares held, while maintaining their percentage of equity interest in the Company;
- (ii) to increase the capital base of the Company to a level that will better reflect the Group’s future scale of operations; and
- (iii) to enhance greater participation from a broader range of investors in the equity of the Company in view of the larger capital base.

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4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Issued and paid-up share capital

The pro-forma effects of the Proposed Bonus Issue on the issued and paid-up share capital of the Company are as follows:-

	Minimum scenario			Maximum scenario		
	No of Shares '000	Share capital USD'000	Share capital RM'000	No of Shares '000	Share capital USD'000	Share capital RM'000
As at LPD	1,321,921	39,658	152,821	1,321,921	39,658	152,821
To be issued assuming full exercise of the ESOS options	-	-	-	25,800	774	2,983
To be issued assuming full exercise of the Warrants B	-	-	-	181,499	5,445	20,982
To be issued assuming full exercise of the Warrants C	-	-	-	440,638	13,219	50,940
After exercise of all convertible securities⁽¹⁾	1,321,921	39,658	152,821	1,969,858	59,096	227,726
To be issued pursuant to the Proposed Bonus Issue	1,321,920	39,658	152,821	1,969,858	59,096	227,726
Enlarged issued and paid-up share capital	2,643,841	79,316	305,642	3,939,716	118,192	455,452

Note:-

(1) Inclusive of 1,000 treasury shares.

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4.2 Net assets (“NA”) and gearing

The pro-forma effects of the Proposed Bonus Issue on the NA and gearing of the Group are as follows:-

Minimum Scenario

Group level	Audited as at 31 December 2014		After subsequent events ⁽¹⁾		After the Proposed Bonus Issue ⁽²⁾	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	699,209	433,929	241,872	150,106	488,119	302,926
Reserves ⁽³⁾	485,650	301,394	975,937	605,667	⁽⁴⁾ 729,207	⁽⁴⁾ 452,546
Total equity / NA	1,184,859	735,323	1,217,809	755,773	1,217,326	755,472
No. of Shares ('000) (excluding treasury shares)	1,149,495	1,149,495	1,321,920	1,321,920	2,643,841	2,643,841
NA per Share (RMB/RM)	1.03	0.64	0.92	0.57	0.46	0.29
Borrowings (RMB'000/RM'000)	10,000	6,206	10,000	6,206	10,000	6,206
Gearing (times)	⁽⁵⁾ _	⁽⁵⁾ _	⁽⁵⁾ _	⁽⁵⁾ _	⁽⁵⁾ _	⁽⁵⁾ _

Notes:-

- (1) After taking into consideration:-
- (i) the par value reduction of XDL Shares from USD0.10 to USD0.03 which was undertaken by the Company and completed on 18 February 2015;
 - (ii) the granting of 198,224,000 ESOS options since 1 January 2015 up to the LPD;
 - (iii) the exercise of 172,424,000 ESOS options since 1 January 2015 up to the LPD;
 - (iv) the expiry of all the 261,778,452 Warrants A on 24 April 2015; and
 - (v) the exercise of 100 Warrants A and 1,333 Warrants C since 1 January 2015 up to the LPD.
- (2) After taking into consideration the issuance of 1,321,920,445 new Shares arising from the Proposed Bonus Issue.
- (3) Reserves include capital reserve, retained profits and other reserves.
- (4) Including estimated expenses in relation to the Proposed Bonus Issue amounting to RM300,000.
- (5) Negligible.

Maximum Scenario

Group level	Audited as at 31 December 2014		(I) After subsequent events ⁽¹⁾		(II) After (I) and assuming full exercise of the ESOS options, Warrants B and Warrants C ⁽²⁾		(III) After the Proposed Bonus Issue ⁽³⁾	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	699,209	433,929	241,872	150,106	362,569	225,011	729,513	452,736
Reserves ⁽⁴⁾	485,650	301,394	975,937	605,667	1,045,709	648,967	⁽⁵⁾ 678,282	⁽⁵⁾ 420,942
Total equity / NA	1,184,859	735,323	1,217,809	755,773	1,408,278	873,978	1,407,795	873,678
No. of Shares ('000) (excluding treasury shares)	1,149,495	1,149,495	1,321,920	1,321,920	1,969,858	1,969,858	3,939,716	3,939,716
NA per Share (RMB/RM)	1.03	0.64	0.92	0.57	0.71	0.44	0.36	0.22
Borrowings (RMB'000/RM'000)	10,000	6,206	10,000	6,206	10,000	6,206	10,000	6,206
Gearing (times) ⁽⁶⁾	⁽⁶⁾ _	⁽⁶⁾ _	⁽⁶⁾ _	⁽⁶⁾ _	⁽⁶⁾ _	⁽⁶⁾ _	⁽⁶⁾ _	⁽⁶⁾ _

Notes:-

- (1) After taking into consideration:-
 - (i) the par value reduction of Shares from USD0.10 to USD0.03 which was undertaken by the Company and completed on 18 February 2015;
 - (ii) the granting of 198,224,000 ESOS options since 1 January 2015 up to the LPD;
 - (iii) the exercise of 172,424,000 ESOS options since 1 January 2015 up to the LPD;
 - (iv) the expiry of all the 261,778,452 Warrants A on 24 April 2015; and
 - (v) the exercise of 100 Warrants A and 1,333 Warrants C since 1 January 2015 up to the LPD.
- (2) Assuming all the 25,800,000 granted ESOS options, 181,499,212 outstanding Warrants B and 440,638,356 outstanding Warrants C as at the LPD are fully exercised into new Shares prior to the Entitlement Date.
- (3) After taking into consideration the issuance of 1,969,858,013 new Shares arising from the Proposed Bonus Issue.
- (4) Reserves include capital reserve, retained profits and other reserves.
- (5) Including estimated expenses in relation to the Proposed Bonus Issue amounting to RM300,000.
- (6) Negligible.

4.3 Earnings and earnings per Share ("EPS")

The Proposed Bonus Issue will not have any material impact on the earnings of the Group except for the corresponding reduction in the consolidated EPS of the Group as a result of increase in the number of Shares in issue, assuming that the earnings of XDL Group remain unchanged.

4.4 Substantial Shareholders' shareholdings

The effects of the Proposed Bonus Issue on the substantial Shareholders' shareholdings in XDL are as follows:-

Minimum Scenario

	Existing as at LPD				After the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No of shares	% ⁽¹⁾	No of shares	% ⁽¹⁾	No of shares	% ⁽²⁾	No of shares	% ⁽²⁾
HongPeng International Holdings Limited ("HongPeng")	450,000,000	34.04	-	-	900,000,000	34.04	-	-
Ding PengPeng	-	-	⁽³⁾ 450,000,000	⁽³⁾ 34.04	-	-	⁽³⁾ 900,000,000	⁽³⁾ 34.04

Notes:-

- (1) Based on the issued and paid-up share capital of the Company comprising 1,321,920,445 XDL Shares (after excluding 1,000 treasury shares) as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital of the Company comprising 2,643,840,890 XDL Shares (after excluding 1,000 treasury shares) after taking into consideration the issuance of 1,321,919,112 new Shares arising from the Proposed Bonus Issue.
- (3) Deemed interested by virtue of his interest in HongPeng.

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Maximum Scenario

	(I) Existing as at LPD				(II) After (I) and assuming full exercise of the ESOS options, Warrants B and Warrants C				(III) After the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No of shares	% ⁽¹⁾	No of shares	% ⁽¹⁾	No of shares	% ⁽²⁾	No of shares	% ⁽²⁾	No of shares	% ⁽³⁾	No of shares	% ⁽³⁾
HongPeng	450,000,000	34.04	-	-	⁽⁴⁾ 600,000,000	30.46	-	-	1,200,000,000	30.46	-	-
Ding PengPeng	-	-	⁽⁵⁾ 450,000,000	⁽⁵⁾ 34.04	-	-	⁽⁵⁾ 600,000,000	⁽⁵⁾ 30.46	-	-	⁽⁵⁾ 1,200,000,000	⁽⁵⁾ 30.46

Notes:-

- (1) Based on the issued and paid-up share capital of the Company comprising 1,321,920,445 XDL Shares (after excluding 1,000 treasury shares) as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital of the Company comprising 1,969,858,013 XDL Shares (after excluding 1,000 treasury shares) after assuming all the 25,800,000 granted ESOS options, 181,499,212 outstanding Warrants B and 440,638,356 outstanding Warrants C as at the LPD are fully exercised into new Shares.
- (3) Based on the enlarged issued and paid-up share capital of the Company comprising 3,939,716,026 XDL Shares (after excluding 1,000 treasury shares) after taking into consideration the issuance of 1,969,858,013 new Shares arising from the Proposed Bonus Issue.
- (4) The 150,000,000 Warrants C held by HongPeng as at the LPD are assumed to be fully exercised, along with all other outstanding Warrants C.
- (5) Deemed interested by virtue of his interest in HongPeng.

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4.5 Existing convertible securities

4.5.1 Warrants B

As at the LPD, there are 181,499,212 outstanding Warrants B.

Consequential to the Proposed Bonus Issue, the number and exercise price of the Warrants B which are not exercised prior to the Entitlement Date may be adjusted in accordance with the Company's deed poll dated 9 December 2013 constituting the Warrants B.

Such necessary adjustments will only be finalised on the Entitlement Date and will be effective on the next market day after the Entitlement Date, and the relevant notifications to the respective holders of the Warrants B will be issued by the Company at a later date.

4.5.2 Warrants C

As at the LPD, there are 440,638,356 outstanding Warrants C.

Consequential to the Proposed Bonus Issue, the number and exercise price of the Warrants C which are not exercised prior to the Entitlement Date may be adjusted in accordance with the Company's deed poll dated 17 June 2015 constituting the Warrants C.

Such necessary adjustments will only be finalised on the Entitlement Date and will be effective on the next market day after the Entitlement Date, and the relevant notifications to the respective holders of the Warrants C will be issued by the Company at a later date.

4.5.3 ESOS options

As at the LPD, there are 25,800,000 ESOS options which have been granted but unexercised.

Consequential to the Proposed Bonus Issue, the number and exercise price of ESOS options which have been granted but not exercised prior to the Entitlement Date may be adjusted in accordance with the Company's by-laws governing the ESOS.

Such necessary adjustments will only be finalised on the Entitlement Date and will be effective on the next market day after the Entitlement Date, and the relevant notifications to the respective holders of such ESOS options will be issued by the Company at a later date.

Save for the Warrants B, Warrants C and unexercised ESOS options, the Company does not have any other outstanding convertible securities as at the LPD.

5. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals in respect of the Proposed Bonus Issue being obtained, the Board expects the Proposed Bonus Issue to be completed by the fourth quarter of 2015.

6. APPROVALS REQUIRED

The Proposed Bonus Issue is subject to the following approvals being obtained:-

- (i) Bursa Securities for the listing and quotation of the Bonus Shares;
- (ii) the Shareholders at a Special General Meeting (“**SGM**”) to be convened for the Proposed Bonus Issue; and
- (iii) any other relevant parties / authorities, if required.

The additional listing application for the Bonus Shares as well as the circular to Shareholders for the Proposed Bonus Issue are expected to be submitted to Bursa Securities within two (2) months from the date of this announcement.

7. INTER-CONDITIONALITY

The Proposed Bonus Issue is not conditional upon any other corporate exercise / scheme of the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major Shareholders of XDL and/or persons connected to them have any interest, whether direct and/or indirect in the Proposed Bonus Issue save for their respective entitlements, if any, as Shareholders under the Proposed Bonus Issue, which all other Shareholders of the Company are similarly entitled to.

9. DIRECTORS’ STATEMENT

The Board, having considered all aspects of the Proposed Bonus Issue, including but not limited to the rationale and effects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interests of the Company and its Shareholders.

10. ADVISER

Mercury Securities has been appointed as the Principal Adviser for the Proposed Bonus Issue.

This announcement is dated 7 August 2015.