

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

### PROPOSED PRIVATE PLACEMENT

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#### 1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Board**”), AmInvestment Bank Berhad, a member of AmInvestment Bank Group (“**AmInvestment Bank**”), wishes to announce that the Company proposes to undertake a private placement of up to 40,000,000 new ordinary shares of United States Dollar (“**US\$**”) 0.10 each in the Company (“**Placement Shares**”), representing up to ten percent (10%) of the issued and paid-up share capital of XDL (“**Proposed Private Placement**”).

#### 2. THE PROPOSED PRIVATE PLACEMENT

##### 2.1 Size of Placement

As at 1 December 2010, XDL’s issued and paid-up share capital is US\$40,000,000 comprising 400,000,000 ordinary shares of US\$0.10 each (“**Shares**”) (including 1,000 treasury Shares).

Assuming the 1,000 treasury Shares are resold in the market, the Company will be able to issue up to 40,000,000 Placement Shares, representing up to 10% of the issued and paid-up share capital of the Company.

##### 2.2 Placement Arrangement

The Placement Shares are intended to be placed with independent third party investor(s) to be identified later. The Placement Shares are not intended to be placed with the following persons:-

- (i) a director, major shareholder or chief executive of XDL or a holding company of XDL (“**Interested Person**”);
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be undertaken in one (1) or more tranches. This is because the Company believes that the placees may be identified and procured over a period of time rather than simultaneously.

##### 2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing XDL Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the Placement Shares.

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## 2.4 Listing and Quotation of the Placement Shares

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities within one (1) month from the date of this announcement.

## 2.5 Basis of Arriving at the Issue Price of the Placement Shares

The issue price of the Placement Shares will be fixed by the Board at a later date after the receipt of all relevant approvals for the Proposed Private Placement, and will be determined based on market-based principles, at a level that is in the best interests of the Company, after taking into consideration the five (5)-day volume weighted average market price (“**WAMP**”) of XDL Shares preceding the price-fixing date to be determined by the Board.

For illustrative purposes only, based on an illustrative issue price of RM0.50 per Placement Share, the issue price of the Placement Shares would represent a premium of approximately RM0.0243 or 5.1%, based on the five (5)-day WAMP of XDL Shares up to and including 8 December 2010 of RM0.4757, being the latest practicable date prior to this announcement.

## 2.6 Utilisation of Proceeds

For illustrative purposes only, assuming all the Placement Shares are placed out at RM0.50 each, the Proposed Private Placement is expected to raise gross proceeds of RM20.0 million.

The proceeds from the Proposed Private Placement are expected to be utilised in the following manner:-

Proposed Utilisation of Proceeds	Note	RM'000	Expected timeframe for Utilisation of Proceeds
Working Capital		19,700	On-going
Estimated expenses in relation to the Proposed Private Placement	(i)	300	Within 12 months
		<b>20,000</b>	

Note:-

(i) *The estimated expenses of approximately RM300,000 consist of professional fees, fees payable to authorities and other miscellaneous expenses. Any variation in the actual amount of the expenses for the Proposed Private Placement will be adjusted in the portion of the proceeds to be utilised for working capital.*

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### 3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

Assuming all the Placement Shares are placed out at RM0.50 each, the Proposed Private Placement will enable XDL to raise gross proceed of RM20.0 million for working capital requirements.

The Board, after due consideration of the various methods of fund raising to finance the Company's working capital requirements, is of the view that raising funds by way of a private placement would be the most appropriate avenue of fund raising as it will enable XDL to raise funds without incurring interest cost as compared to bank borrowings.

### 4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

#### 4.1 Share Capital

The effects of the Proposed Private Placement on the issued and paid-up share capital of the Company are as follows:-

	No. of Shares	US\$
Issued and paid-up share capital as at 1 December 2010 <sup>(1)</sup>	400,000,000	40,000,000
To be issued pursuant to the Proposed Private Placement	40,000,000	4,000,000
<b>Enlarged issued and paid-up share capital</b>	<b>440,000,000</b>	<b>44,000,000</b>

*Note:-*

(1) Assuming 1,000 treasury Shares held as at 1 December 2010 are resold in the market.

#### 4.2 Net Assets ("NA") and Gearing

The proforma effects of the Proposed Private Placement on the NA and gearing of XDL are illustrated in the table below:-

	Audited as at 31 December 2009 RM'000	After Proposed Private Placement <sup>(1)(2)</sup> RM'000
Share capital	139,438	152,032
Share premium	21,776	28,882
Other Reserves	(104,046)	(104,046)
Retained earnings	115,842	115,842
<b>Shareholders' equity / NA</b>	<b>173,010</b>	<b>192,710</b>
NA per Share (sen)	43.25	43.80
Total borrowings	41,056	41,056
Gearing (times)	0.24	0.21

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Notes:-

- (1) For information purposes, the Company undertook a share buy-back of 1,000 Shares at RM0.48 per share on 26 August 2010. Assuming the said Shares are resold in the market at RM0.4757, being the five (5)-day WAMP of XDL Shares up to and including 8 December 2010, the effect on NA and gearing is negligible.
- (2) Assuming all the Placement Shares are placed out at RM0.50 each and after deducting estimated expenses incidental to the Proposed Private Placement of RM300,000. Translation exchange rate for illustrative purposes is based on Bank Negara Malaysia's exchange rate of US\$1:3.1485 as at 8 December 2010.

#### 4.3 Earnings

The Proposed Private Placement is not expected to have any material effect on the earnings of the Company for FYE 31 December 2010.

The earnings per share shall be correspondingly diluted as a result of the increase in the number of issued and paid-up share capital of the Company pursuant to the Proposed Private Placement. However, the Proposed Private Placement is expected to contribute positively to the Company's earnings thereafter through the utilisation of the proceeds for working capital.

#### 4.4 Substantial Shareholders' Shareholdings

The effects of the Proposed Private Placement on the substantial shareholders' shareholdings in the Company are set out below:-

	As at 1 December 2010 <sup>(1)</sup>				After Proposed Private Placement <sup>(1)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
HongPeng International Holdings Limited ("HongPeng")	240,000,000	60.0	-	-	240,000,000	54.5	-	-
Ding PengPeng	-	-	240,000,000 <sup>(2)</sup>	60.0	-	-	240,000,000 <sup>(2)</sup>	54.5

Notes:-

- (1) Assuming 1,000 treasury Shares held as at 1 December 2010 are resold in the market.
- (2) Deemed interested by virtue of his interest in HongPeng.

#### 5. APPROVALS REQUIRED

The Proposed Private Placement is conditional upon the following approvals being obtained:-

- (i) Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and
- (ii) the approval / consent of any other relevant authorities / parties, if required.

The Company had obtained the approval from the shareholders of XDL at the last Annual General Meeting ("AGM") convened on 18 June 2010 authorising the Board to issue new XDL Shares not exceeding ten percent (10%) of the issued and paid-up share capital of the Company from time to time pursuant to the Company's Bye-law 12. The approval is valid until the next AGM.

**6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the directors and/or major shareholders or persons connected with them has any interest, direct or indirect, in the Proposed Private Placement.

**7. DIRECTORS' STATEMENT**

The Board having considered all aspects of the Proposed Private Placement is of the opinion that the Proposed Private Placement is in the best interest of the Company.

**8. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Board expects the Proposed Private Placement to be completed by the first quarter of 2011.

**9. ADVISER AND PLACEMENT AGENT**

AmlInvestment Bank has been appointed as the Adviser and the Placement Agent in relation to the Proposed Private Placement.

This announcement is dated 9 December 2010.