

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

- PROPOSED PRIVATE PLACEMENT;
- PROPOSED BONUS ISSUE;
- PROPOSED RIGHTS ISSUE OF WARRANTS; AND
- PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

(COLLECTIVELY KNOWN AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company proposes to undertake the following:-

- (i) a private placement of up to 43,999,990 new ordinary shares of United States Dollar (“**US\$**”) 0.10 each in the Company (“**Shares**” or “**XDL Shares**”) (“**Placement Shares**”), representing up to 10% of the total issued and paid-up share capital of XDL (inclusive of treasury Shares) (“**Proposed Private Placement**”);
- (ii) a bonus issue of up to 241,999,945 new Shares (“**Bonus Shares**”) (after the Proposed Private Placement), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled shareholders of the Company on an entitlement date to be determined by the Board and announced later (“**Entitlement Date**”) (“**Proposed Bonus Issue**”);
- (iii) a renounceable rights issue of up to 241,999,945 warrants in XDL (“**Warrant(s)**”) (after the Proposed Private Placement), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing Shares held by the entitled shareholders of the Company on the same Entitlement Date as the Proposed Bonus Issue (“**Proposed Rights Issue of Warrants**”); and
- (iv) increase in the authorised share capital of XDL from US\$50,000,000 comprising 500,000,000 Shares to US\$300,000,000 comprising 3,000,000,000 Shares (“**Proposed Increase in Authorised Share Capital**”).

2. THE PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

As at 13 January 2012, XDL's total issued and paid-up share capital is US\$43,999,990 comprising 439,999,900 XDL Shares (including 1,000 treasury Shares).

The Board intends to implement the Proposed Private Placement prior to the implementation of the Proposed Bonus Issue, the Proposed Rights Issue of Warrants, and the Proposed Increase in Authorised Share Capital.

Assuming the 1,000 treasury Shares are resold in the market, the Company would be able to issue up to 43,999,990 Placement Shares, representing up to 10% of the existing issued and paid-up share capital of the Company, in relation to which a general mandate has been granted by the shareholders of XDL (“**Shareholders**”) at the Company's last annual general meeting (“**AGM**”) convened on 24 June 2011, permitting the Board to issue new XDL Shares pursuant to Bye-law 12 of the Company's Bye-laws, provided that the aggregate number of Shares issued does not exceed 10% of the total 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) ("**Placees**") to be identified later. The Placement Shares are not intended to be placed with the following persons:-

- (i) a director, major Shareholder, chief executive or a holding company of XDL ("**Interested Person**");
- (ii) a person connected with an Interested Person; or
- (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 as the Company is of the view 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, issue and payment of the issue price, rank *pari passu* in all respects with the then existing Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment of the Placement Shares.

For avoidance of doubt, the Placement Shares will be entitled to the Proposed Bonus Issue and the Proposed Rights Issue of Warrants if the Placement Shares are allotted and issued prior to the Entitlement Date.

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 two (2) months from the date of this announcement.

2.5 Basis and justification of 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 ("**VWAP**") of XDL Shares preceding the price-fixing date to be determined by the Board. However, the issue price of a Placement Share shall not in any event be less than the par value of the Placement Share.

For illustrative purposes only, based on an illustrative issue price of RM0.40 per Placement Share, the issue price of the Placement Shares would represent a premium of approximately RM0.0122 or 3.14%, based on the five (5)-day VWAP of XDL Shares up to and including 13 January 2012 of RM0.3878, being the latest practicable date prior to this announcement.

The illustrative issue price represents the approximate current market price of XDL Shares as well as taking into consideration the current and future prospects of the XDL and its subsidiaries ("**XDL Group**" or the "**Group**").

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3. THE PROPOSED BONUS ISSUE

3.1 Basis and number of Bonus Shares to be issued

The Company proposes to implement a bonus issue of up to 241,999,945 Bonus Shares, based on the enlarged issued and paid-up share capital after the Proposed Private Placement of up to 483,999,890 Shares (assuming a maximum of 43,999,990 Placement Shares are issued under the Proposed Private Placement), to be credited as fully paid-up, on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled Shareholders (after taking into consideration the Proposed Private Placement) on the Entitlement Date.

The actual number of Bonus Shares to be issued will depend on the total issued and paid-up share capital of the Company as at the Entitlement Date after taking into consideration the final number of Placement Shares issued pursuant to the Proposed Private Placement.

In determining Shareholders' entitlements to the Proposed Bonus Issue, fractional entitlements that may arise from the Proposed Bonus Issue shall be dealt with in such manner as the Board in its absolute discretion deems fit and expedient or in the interest of the Company.

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

3.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from all sums standing to the credit of the Company's share premium and retained earnings accounts as follows:-

- (i) entire share premium account of RM21,776,200; and
- (ii) the remaining balance from retained earnings account.

Based on the latest audited financial statements of XDL Group for the financial year ended ("FYE") 31 December 2010, the share premium and retained earnings balances at the company level stood at RM21,776,200 and RM9,126,918, respectively.

In order to provide for the shortfall in reserves at the company level, XDL shall cause its subsidiaries to undertake the required distributions to the Company for the purpose of facilitating the implementation of the Proposed Bonus Issue. For information purposes, based on the latest audited financial statements of XDL Group for the FYE 31 December 2010, the share premium and retained earnings balances at the group level stood at RM21,776,200 and RM172,176,599 respectively.

Pursuant to Paragraph 6.30(1) of the Main Market Listing Requirements of 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 is 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 the Company's latest audited consolidated financial statements for FYE 31 December 2010 and the latest unaudited financial statements for the nine (9)-month financial period ended ("FPE") 30 September 2011, the reserves available for capitalising the Bonus Shares are 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 Company's latest audited financial statements and upon XDL's subsidiaries undertaking the required distributions for the Proposed Bonus Issue, the Company has sufficient reserves in its share premium and retained earnings accounts for capitalisation under the Proposed Bonus Issue.

Further, pursuant to paragraph 6.30(3) of the Listing Requirements of Bursa Securities, the Board will obtain a confirmation from the reporting accountants on the adequacy of reserves for the capitalisation of the Proposed Bonus Issue.

3.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares (after the Proposed Private Placement), save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Bonus Shares.

3.4 Listing and quotation of the Bonus Shares

An application will be made to Bursa Securities for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities within a period of two (2) months from the date of this announcement.

4. THE PROPOSED RIGHTS ISSUE OF WARRANTS

4.1 Basis and number of Warrants to be issued

The Proposed Rights Issue of Warrants is to be implemented on a renounceable basis of one (1) Warrant for every two (2) existing Shares held by entitled Shareholders (after taking into consideration the Proposed Private Placement) on the same Entitlement Date for the Proposed Bonus Issue at an issue price of RM0.05 per Warrant.

The final number of Warrants to be issued pursuant to the Proposed Rights Issue of Warrants will be determined at a later date after taking into consideration the enlarged share capital of the Company following the Proposed Private Placement. Based on the enlarged issued and paid-up share capital after the Proposed Private Placement of up to 483,999,890 Shares (assuming a maximum of 43,999,990 Placement Shares are issued under the Proposed Private Placement), the Proposed Rights Issue of Warrants would entail the issuance of up to 241,999,945 Warrants.

The Warrants will be provisionally allotted and issued to the Shareholders whose names appear on the Company's Record of Depositors on the close of business on the Entitlement Date ("**Entitled Shareholders**").

The Entitled Shareholders may fully or partially renounce their entitlements to the Warrants. Any unsubscribed Warrants shall be offered to other Entitled Shareholders under excess applications. It is the intention of the Board to allocate excess Warrants in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

Fractional entitlements of the Warrants under the Proposed Rights Issue of Warrants, if any, will be disregarded and dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient or in the interest of the Company.

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4.2 Indicative salient terms of the Warrants

Issuer	: XDL
Issue size	: Up to 241,999,945 Warrants to be issued in conjunction with the Proposed Rights Issue of Warrants to the Entitled Shareholders on the basis of one (1) Warrant for every two (2) Shares held by the Entitled Shareholders.
Form and denomination	: The Warrants will be issued in registered form and constituted by a deed poll (" Deed Poll ").
Board lot	: For purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 units of Warrants, unless otherwise revised by the relevant authorities.
Tenure of Warrants	: Three (3) years from the date of issuance of the Warrants.
Exercise Period	: The Warrants may be exercised at any time within a period of three (3) years commencing from and including the date of issue of the Warrants respectively to the close of business at 5.00 p.m. on the business day immediately preceding the date which is the third (3 rd) anniversary from the date of issue of the Warrants. Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Exercise Price	: The exercise price of the Warrants will be determined by the Board at a later date after obtaining all relevant approvals. In any case, the Exercise Price will not be lower than the par value of the Shares. The price-fixing date shall be any date that falls between the date of the relevant approval and the Entitlement Date of the Proposed Rights Issue of Warrants. The Exercise Price may be subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
Exercise Rights	: Each Warrant shall entitle the holder of the Warrants to subscribe for one (1) new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with provisions of the Deed Poll.
Mode of exercise	: The holders of the Warrants shall pay by way of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia for the aggregate of the Exercise Price payable when subscribing for new Shares in the Company.
Adjustments to the final Exercise Price and/or the number of the Warrants	: The Exercise Price and/or the number of Warrants in issue may be subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.

- Rights of the holders : The holders of the Warrants shall not be entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such holders of the Warrants exercise their Warrants for new Shares.
- Ranking of the new Shares to be issued pursuant to the exercise of the Warrants : The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issue and payment of the Exercise Price, rank *pari passu* in all respects with the then existing Shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotment and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new Shares.
- Listing : An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, the listing of and quotation for the Warrants as well as the new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.
- Rights of the holders of the Warrants in the event of winding up, liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies, then:-
- (a) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holder of the Warrants (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants; and
 - (b) in the event a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date or soon after it despatches such notice to its Shareholders, give notice thereof to all holders of the Warrants. Every holder of the Warrants shall thereupon be entitled, subject to the conditions set out in the Deed Poll, to exercise his Warrants at any time no later than 21 days prior to the proposed general meeting of the Company by submitting the subscription form (by irrevocable surrender of his Warrants to the Company) duly completed authorising the debiting of his Warrants together with payment of the relevant Exercise Price; whereupon the Company shall as soon as possible, allot the relevant Shares to the holder of the said Warrants credited as fully paid subject to the prevailing laws.

Subject to the above, if the Company is wound-up or an order has been granted for such compromise or arrangement, all Exercise Rights which are not exercised prior to the passing of the resolution for winding-up or the granting of the court order approving the winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation), shall lapse and the Warrants will cease to be valid for any purpose.

- Transferability : The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
- Deed Poll : The Warrants shall be constituted by a Deed Poll to be executed by the Company.
- Governing Law : The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

4.3 Basis and justification of the issue price and exercise price of the Warrants

The issue price of RM0.05 per Warrant was arrived at after taking into consideration various market information including the historical share price and volatility of the underlying XDL Shares.

The final exercise price of the Warrants shall be determined by the Board after receipt of all relevant approvals but before the Entitlement Date, after taking into consideration, *inter-alia*, the theoretical ex-price of XDL Shares after the Proposed Bonus Issue, as well as the then market demand for XDL Shares, prevailing market conditions and market price of XDL Shares preceding the price-fixing date to be determined by the Board, but will not be lower than the par value of XDL Shares. The Board may fix the final exercise price of the Warrants at the then theoretical ex-price of XDL Shares after the Proposed Bonus Issue or at either a discount / premium to the then theoretical ex-price of XDL Shares and at a level that is in the best interests of the Company.

Based on the five (5)-day VWAP of XDL Shares up to and including 13 January 2012, being the latest practicable date prior to this announcement of RM0.3878, the theoretical ex-price after the Proposed Bonus Issue is RM0.2585.

For illustrative purposes, assuming that the exercise price of the Warrants is at RM0.40, the illustrative exercise price would be at a premium of 54.74% to the said theoretical ex-price.

The Board, in determining the abovementioned illustrative exercise price, has taken into consideration, *inter-alia*, the Warrants being issued for a nominal consideration and being exercisable at any time within a three (3)-year period, our Board's confidence in our Company's business model and prospects, which provide continuous growth and sustainable recurring income, as well as the trading and liquidity of XDL Shares.

The Board wishes to emphasise that the illustrative exercise price of the Warrants is purely for illustrative purposes only and should not be taken as an indication or reference to the final exercise price of the Warrants, which will be determined by the Board and announced at the price-fixing date.

4.4 Ranking of the new XDL Shares to be issued pursuant to the exercise of the Warrants

The new XDL Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issue and payment of the exercise price of the Warrants, rank *pari passu* in all respects with the then existing Shares, save and except that the new XDL Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new XDL Shares arising from the exercise of the Warrants.

4.6 Listing of and quotation for Warrants and new XDL Shares to be issued pursuant to the exercise of the Warrants

An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, and listing of and quotation for the Warrants and the new XDL Shares to be issued pursuant to the exercise of the Warrants within a period of two (2) months from the date of this announcement.

4.7 Shareholders' Undertaking and underwriting arrangements (if any)

XDL intends to request its substantial Shareholders to provide written irrevocable undertakings to subscribe in full or procure the subscription in full of its/their entitlements to the Warrants as at the Entitlement Date and/or excess applications not taken up by Entitled Shareholders ("**Undertaking**"). As such, underwriting arrangements for the Proposed Rights Issue of Warrants, if any, will depend on the extent of the Undertakings to be obtained.

5. THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at 13 January 2012, the authorised share capital of XDL is US\$50,000,000 divided into 500,000,000 XDL Shares of which US\$43,999,990 comprising 439,999,900 XDL Shares (including 1,000 treasury Shares) have been issued and fully paid-up.

In order to accommodate the issuance of the Bonus Shares, any future issuance of new XDL Shares arising from the exercise of the Warrants as well as future corporate exercises to be undertaken by the Company, XDL proposes to increase its authorised share capital to US\$300,000,000 comprising 3,000,000,000 XDL Shares.

6. UTILISATION OF PROCEEDS

For illustrative purposes only, assuming all the Placement Shares are placed out at RM0.40 each, the Proposed Private Placement is expected to raise gross proceeds of approximately RM17.6 million.

Based on the issue price of the Warrants of RM0.05 each and assuming all Entitled Shareholders subscribe in full for their respective entitlements, the Proposed Rights Issue of Warrants will raise gross proceeds of up to approximately RM12.1 million.

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The gross proceeds from the Proposed Private Placement and the Proposed Rights Issue of Warrants of up to approximately RM29.7 million are expected to be utilised in the following manner:-

Proposed utilisation of proceeds	Note	RM'000	Expected timeframe for utilisation
Purchase machinery and equipment for new design and production centre ("D&P Centre")	(i)	Up to 29,100	Within 18 months
Estimated expenses in relation to the Proposals	(ii)	600	Immediate
		<u>Up to 29,700</u>	

Notes:-

- (i) *The Company expect to complete the construction of the first stage of its new D&P Centre (with an estimated total built-up area of approximately 128,000 square metres) to design and manufacture sports shoes and apparel by the first half of 2012. In connection with this, the Company has earmarked up to RM29.1 million from the proceeds to acquire additional production lines so as to expand its production capacity. Any proceeds earmarked for the purchase of machinery and equipment for the D&P Centre which are not utilised will be used for working capital purposes.*
- (ii) *The estimated expenses of approximately RM600,000 comprises of, amongst others, estimated professional fees, fees payable to relevant authorities and other miscellaneous expenses. Any proceeds earmarked for estimated expenses which are not utilised will be used for working capital purposes.*

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants would depend upon the actual number of the Warrants exercised and the final exercise price of the Warrants. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants.

Strictly for illustrative purposes, based on the illustrative exercise price of RM0.40 per Warrant, the Company will raise gross proceeds of up to RM96.8 million from the full exercise of the Warrants. Any proceeds arising from any potential exercise of Warrants in the future will be used for capital expenditure and investment opportunities in the related businesses of the XDL Group (including strategic acquisitions of related businesses), repayment of borrowings and/or working capital purposes.

7. RATIONALE FOR THE PROPOSALS

7.1 The Proposed Private Placement

The Board, after due consideration of the various methods of fund raising to finance the Company's purchase of machinery for the new D&P Centre, is of the view that raising funds by way of a private placement would be an appropriate avenue of fund raising as it will enable XDL to raise funds without relying entirely on equity funding from the existing Shareholders and incurring interest cost as compared to bank borrowings.

7.2 The Proposed Bonus Issue

The Proposed Bonus Issue will enable the Company to increase its share capital base to a level that will better reflect the operations of the XDL Group, which is expanding.

The Proposed Bonus Issue will also enable the Company to reward its Shareholders for their continuing support and allow the existing Shareholders a 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.

7.3 The Proposed Rights Issue of Warrants

The Proposed Rights Issue of Warrants will provide the Company with initial capital when the Warrants are issued and additional capital when the Warrants are exercised in the future. The exercise of the Warrants will allow the Company to obtain proceeds without incurring additional interest expenses and minimise any potential cash outflow in respect of interest servicing.

On the other hand, should the Company increase its borrowings in the future, the exercise of the Warrants will increase Shareholders' funds and improve the Company's gearing level, thereby providing the Company flexibility in terms of the options available to meet its funding requirements.

In addition, the Proposed Rights Issue of Warrants provides the Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants, and will allow the Shareholders to further participate in the future growth of the Company when the Warrants are exercised. Furthermore, by subscribing for the Warrants, Shareholders will have the option whether to exercise their Warrants for new Shares or allow the Warrants to lapse. The Proposed Rights Issue of Warrants will involve the issuance of new Shares without diluting Shareholders' equity interest provided that all Entitled Shareholders subscribe for their respective entitlements and exercise their Warrants subsequently.

7.4 The Proposed Increase in Authorised Share Capital

The Proposed Increase in Authorised Share Capital is to accommodate the issue of the Bonus Shares, any future issuance of new Shares pursuant to the exercise of the Warrants as well as future corporate exercises to be undertaken by the Company.

8. EFFECTS OF THE PROPOSALS

The Proposed Increase in Authorised Share Capital will not have any effect on the issued and paid-up share capital, net assets ("NA"), gearing, earnings, earnings per Share ("EPS") and substantial Shareholders' shareholdings in the Company as well as the dividend policy of the Company.

8.1 Share capital

The proforma effects of the Proposed Private Placement, Proposed Bonus Issue and Proposed Rights Issue of Warrants on the issued and paid-up share capital of the Company are as follows:-

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	No. of Shares	Share Capital US\$
Issued and paid-up share capital as at 13 January 2012 ⁽¹⁾	439,999,900	43,999,990
To be issued pursuant to the Proposed Private Placement (up to)	43,999,990	4,399,999
	483,999,890	48,399,989
To be issued pursuant to the Proposed Bonus Issue (up to)	241,999,945	24,199,995
To be issued assuming full exercise of the Warrants under the Proposed Rights Issue of Warrants (up to)	241,999,945	24,199,995
Enlarged issued and paid-up share capital (up to)	967,999,780	96,799,978

Note:-

(1) Assuming 1,000 treasury Shares held as at 13 January 2012 are resold in the market.

8.2 NA and gearing

Based on the latest audited financial statements of XDL as at 31 December 2010 and on the assumption that the Proposed Private Placement, Proposed Bonus Issue and Proposed Rights Issue of Warrants had been effected as at that date, the proforma effects of the Proposed Private Placement, Proposed Bonus Issue and Proposed Rights Issue of Warrants on the NA and gearing of the XDL Group are as follows:-

	Audited as at 31 December 2010 RM'000	Adjusted for Private Placement ⁽¹⁾	(I) After the Proposed Private Placement ⁽²⁾⁽³⁾⁽⁴⁾ RM'000	(II) After (I) and the Proposed Bonus Issue ⁽⁴⁾ RM'000	(III) After (II) and the Proposed Right Issue of Warrants ⁽⁴⁾⁽⁵⁾ RM'000	(IV) After (III) and upon full exercise of the Warrants ⁽⁴⁾⁽⁶⁾ RM'000
Share capital	139,438	151,660	165,450	241,292	241,292	317,135
Share premium	21,776	28,601	32,412	10,635	10,635	43,693
Other reserves	(108,815)	(108,815)	(108,815)	(108,815)	(108,815)	(108,815)
Warrants reserves	-	-	-	-	12,100	-
Retained earnings	172,177	172,177	171,577 ⁽⁷⁾	117,510	117,510	117,510
Shareholders' equity / NA	224,576	243,623	260,624	260,622	272,722	369,523
NA per Share (sen)	56	55	54	36	38	38
No. of Shares in issue ⁽⁸⁾	400,000,000	439,999,900	483,999,890	725,999,835	725,999,835	967,999,780
Total borrowings	19,913	19,913	19,913	19,913	19,913	19,913
Gearing (times)	0.09	0.08	0.08	0.08	0.07	0.05

Notes:-

- (1) For illustrative purposes, the proforma effect is adjusted for the private placement of 39,999,900 XDL Shares, which was completed on 8 February 2011. The proforma effects on the share capital and share premium accounts are extracted from the latest unaudited financial statements for the nine (9)-month FPE 30 September 2011.
- (2) 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 RM0.3878, being the five (5)-day VWAP of XDL Shares up to and including 13 January 2012, the effect on NA and gearing is negligible.
- (3) Assuming all the Placement Shares are placed out at RM0.40 each.
- (4) Translation exchange rate for illustrative purposes is based on Bank Negara Malaysia's exchange rate of US\$1:RM3.1340 as at 13 January 2012.
- (5) Based on the issue price of RM0.05 per Warrant.

- (6) Based on the illustrative exercise price of RM0.40 per Warrant.
 (7) After deducting estimated expenses incidental to the Proposals of RM600,000.
 (8) Includes 1,000 treasury Shares held by the Company

8.3 Earnings and EPS

The Proposed Private Placement and the Proposed Bonus Issue are not expected to have any material effect on the earnings of the Group save for the dilution to EPS as a result of the issuance of new Shares.

The Proposed Rights Issue of Warrants is not expected to have an immediate material effect on the earnings and EPS of the Company until such time when the Warrants are exercised. The potential effect of the exercise of the Warrants on the future earnings and EPS of the Company will depend upon, amongst others, the number of Warrants exercised at any point in time.

Although the EPS shall be correspondingly diluted as a result of the increase in the number of Shares pursuant to the Proposed Private Placement, Proposed Bonus Issue and Proposed Rights Issue of Warrants (upon exercise of the Warrants), the Proposed Private Placement and Proposed Rights Issue of Warrants are expected to contribute positively to the Company's earnings thereafter through the utilisation of the proceeds for capital expenditure and investment as well as working capital purposes.

8.4 Substantial Shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the substantial Shareholders' shareholdings in the Company as the Bonus Shares are issued prorated to all Shareholders. Accordingly, the number of Shares held by each Shareholder will be increased in the same proportion.

The Proposed Rights Issue of Warrants will not have any direct effect on the substantial Shareholders' shareholdings. Notwithstanding this, there may be an indirect effect on the substantial Shareholders' shareholdings arising from the exercise of the Warrants and this will depend upon, amongst others, the subscription by the substantial Shareholders of their respective entitlements under the Proposed Rights Issue of Warrants and the number of Warrants subsequently exercised by the substantial Shareholders as well as the other holders of the Warrants.

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

	As at 13 January 2012 ⁽¹⁾				(i) After Proposed Private Placement ⁽¹⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
HongPeng International Holdings Limited ("HongPeng")	240,000,000	54.5	-	-	240,000,000	49.6	-	-
Ding PengPeng	-	-	240,000,000 ⁽²⁾	54.5	-	-	240,000,000 ⁽²⁾	49.6

Notes:-

- (1) Assuming 1,000 treasury Shares held as at 13 January 2012 are resold in the market.
 (2) Deemed interested by virtue of his interest in HongPeng.

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8.5 Dividends

Barring any unforeseen circumstances, the Company does not expect the Proposals to have any impact on the quantum of dividends to be paid by the Company, if any, to the Shareholders.

The level of dividends to be declared for future financial years would be determined by the Board after taking into consideration the performance, cash flow position and financial requirements of the XDL Group as well as prevailing economic conditions.

9. APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from the following:-

- (a) Controller of Foreign Exchange of Bank Negara Malaysia for the issuance of the Warrants to non-resident Entitled Shareholders of the Company pursuant to the Proposed Rights Issue of Warrants; and
- (b) Bursa Securities for the following:-
 - (i) the admission of the Warrants to the Official List of Bursa Securities; and
 - (ii) the listing of and quotation for the Placement Shares, Bonus Shares and Warrants as well as the new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities;
- (c) the Shareholders of the Company at an a special general meeting to be convened for the Proposals (save for the Proposed Private Placement);
- (d) the approval / consent of any other relevant authorities / parties, if required.

The Company had obtained the approval from the Shareholders at the Company's last AGM convened on 24 June 2011 authorising the Board to issue new XDL Shares not exceeding 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.

Notwithstanding the above, in the event the Company has not fully issued up to 43,999,990 Shares by the next AGM, the issuance of the remaining Shares for the Proposed Private Placement will be implemented under a new general mandate to be sought under the Company's Bye-law 12 during the next AGM.

The Proposed Private Placement is not conditional upon the Proposed Bonus Issue, the Proposed Rights Issue of Warrants or the Proposed Increase in Authorised Share Capital and vice-versa.

The Proposed Bonus Issue and the Proposed Rights Issue of Warrants are not conditional upon each other, but are conditional upon the Proposed Increase in Authorised Share Capital.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors of the Company and/or major Shareholders or persons connected with them has any interest, direct or indirect, in the Proposals apart from their respective entitlements under the Proposed Bonus Issue and the Proposed Rights Issue of Warrants (including the right to apply for additional Warrants under excess applications), to which all other Shareholders of the Company are similarly entitled.

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals and the current and prospective financial position, needs and capacity of the Company, is of the opinion that the Proposals are in the best interests of the Company.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposals to be completed by the third (3rd) quarter of 2012.

13. ADVISER AND PLACEMENT AGENT

AmInvestment Bank has been appointed by the Company to act as the Adviser in relation to the Proposals and the Placement Agent in relation to the Proposed Private Placement.

14. APPLICATIONS TO THE RELEVANT AUTHORITIES

The applications to the relevant authorities for the Proposals are expected to be submitted within two (2) months from the date of this announcement.

This announcement is dated 18 January 2012.