

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

- PROPOSED RIGHTS ISSUE; AND
- PROPOSED AMENDMENTS

### (COLLECTIVELY KNOWN AS THE “PROPOSALS”)

---

## 1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Board**”), Mercury Securities Sdn Bhd (“**Mercury Securities**”) wishes to announce that the Company proposes to undertake the following:-

- proposed renounceable rights issue of up to 322,665,266 new ordinary shares of USD0.10 each in XDL (“**XDL Shares**” or “**Shares**”) (“**Rights Shares**”) at an issue price of RM0.35 per Rights Share, together with up to 241,998,950 free detachable warrants in XDL (“**Warrants 2013**”) and an attached bonus issue of up to 241,998,950 new XDL Shares (“**Bonus Shares**”) to be credited as fully paid-up at par, on the basis of four (4) Rights Shares together with three (3) free Warrants 2013 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held on the entitlement date to be determined by the Board later (“**Entitlement Date**”) (“**Proposed Rights Issue**”); and
- proposed amendments to the Bye-laws of the Company to facilitate the Proposed Rights Issue (“**Proposed Amendments**”).

## 2. THE PROPOSED RIGHTS ISSUE

### 2.1 Details of the Proposed Rights Issue

The Proposed Rights Issue involves the issuance of up to 322,665,266 Rights Shares together with up to 241,998,950 free Warrants 2013 and up to 241,998,950 Bonus Shares on a renounceable basis of four (4) Rights Shares together with three (3) free Warrants 2013 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held by the entitled shareholders whose names appear on the Company’s record of depositors as at the close of business on the Entitlement Date (“**Entitled Shareholders**”) at an issue price of RM0.35 per Rights Share.

The actual number of Rights Shares, Warrants 2013 and Bonus Shares to be issued pursuant to the Proposed Rights Issue will depend on the total number of issued and paid-up XDL Shares as at the Entitlement Date after taking into consideration the number of existing outstanding warrants of the Company (“**Warrants 2012/2015**”), being exercised and dealings with treasury shares held during the period up to the Entitlement Date, i.e. whether the treasury shares are cancelled, distributed as share dividends, resold on Bursa Malaysia Securities Berhad (“**Bursa Securities**”), continued to be retained as treasury shares or further treasury shares are accumulated.

Based on the enlarged issued and paid-up share capital of the Company under the Maximum Scenario (*as defined in Section 2.5 of this announcement*), the Proposed Rights Issue would entail the issuance of up to 322,665,266 Rights Shares together with up to 241,998,950 free Warrants 2013 and up to 241,998,950 Bonus Shares.

The Rights Shares, Warrants 2013 and Bonus Shares will be provisionally allotted and issued to Entitled Shareholders. The Entitlement Date shall be determined by the Board after obtaining all approvals for the Proposed Rights Issue.

The Warrants 2013 and Bonus Shares are attached to the Rights Shares without any cost and will be issued only to Entitled Shareholders and/or their renounees who subscribe for the Rights Shares. The Warrants 2013 are exercisable into new XDL Shares and each Warrant 2013 will entitle its holder to subscribe for one (1) new XDL Share at an exercise price of RM0.35. The Warrants 2013 will be immediately detached from the Rights Shares upon issuance and traded separately. The Warrants 2013 will be issued in registered form and constituted by a deed poll to be executed by the Company ("**Deed Poll**"). The indicative salient terms of the Warrants 2013 are set out in Section 2.2 below.

Similarly, the Bonus Shares will be issued only to Entitled Shareholders and/or their renounees who subscribe for the Rights Shares. The Bonus Shares will be issued in a single tranche and will be immediately detached from the Rights Shares upon issuance and traded separately.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue. However, the Rights Shares, Warrants 2013 and Bonus Shares cannot be renounced separately, and only Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants 2013 and Bonus Shares. As such, Entitled Shareholders who renounce all of their Rights Share entitlements under the Proposed Rights Issue will not be entitled to the Warrants 2013 and Bonus Shares. If the Entitled Shareholders accept only part of their Rights Share entitlements under the Proposed Rights Issue, they shall be entitled to the Warrants 2013 and Bonus Shares in proportion to their acceptance of the Rights Share entitlements.

The Rights Shares which are not taken up or validly taken up shall be offered to other Entitled Shareholders and/or their renounee(s) under excess applications and to such other persons as the Board shall determine. It is the intention of the Board to allocate excess Rights Shares in a fair and equitable manner and on a basis to be determined by the Board and announced later by the Company.

Fractional entitlements arising from the Proposed Rights Issue, if any, will be dealt with by the Board in such manner and on such terms and conditions as the Board at its absolute discretion deems fit or expedient and in the best interests of the Company.

## **2.2 Indicative salient terms of the Warrants 2013**

Issuer	:	XDL
Issue size	:	Up to 241,998,950 Warrants 2013
Form and denomination	:	The Warrants 2013 will be issued in registered form and constituted by the Deed Poll.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants 2013 shall be 100 units of Warrants 2013, unless otherwise revised by the relevant authorities.
Tenure of Warrants 2013	:	Three (3) years from the date of issuance of the Warrants 2013.
Exercise Period	:	The Warrants 2013 may be exercised at any time within a period of three (3) years commencing from and including the date of issue of the Warrants 2013 to the close of business at 5.00 p.m. on the market day immediately preceding the date which is the third (3 <sup>rd</sup> ) anniversary from the date of issue of the Warrants 2013.

Any Warrant 2013 not exercised during the Exercise Period will thereafter lapse and cease to be valid.

- Exercise Price : Subject to adjustments in accordance with the Deed Poll, the exercise price of the Warrants 2013 is fixed at RM0.35 each. The total amount payable for the exercise of the Warrants 2013 should be rounded up to the nearest sen.
- Exercise Rights : Each Warrant 2013 shall entitle its holder to subscribe for one (1) new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
- Mode of exercise : The holders of the Warrants 2013 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 exercising their Warrants 2013 to subscribe for new XDL Shares.
- Adjustments to the final Exercise Price and/or the number of the Warrants 2013 : The Exercise Price and/or the number of Warrants 2013 in issue may be subject to adjustments in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants 2013, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.
- Rights of the Warrant 2013 holders : The Warrants 2013 do not confer on their holders any voting rights or any right to participate in any distribution and/or offer of further securities in the Company until and unless such holders of the Warrants 2013 exercise their Warrants 2013 and are allotted and issued new XDL Shares arising from their exercise of the Warrants 2013.
- Ranking of the new XDL Shares to be issued pursuant to the exercise of the Warrants 2013 : The new XDL Shares to be issued pursuant to the exercise of the Warrants 2013 shall, upon allotment, issuance and full payment of the exercise price of the Warrants 2013, rank *pari passu* in all respects with the then existing issued and fully paid-up XDL 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 2013.
- Listing : Approval will be sought for the admission of the Warrants 2013 to the Official List of Bursa Securities, the listing and quotation of the Warrants 2013 as well as the new XDL Shares to be issued pursuant to the exercise of the Warrants 2013 on the Main Market of Bursa Securities.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

- Rights of the Warrant 2013 holders in the event of winding up, liquidation, compromise and/or arrangement :
- (a) 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 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 holders of the Warrants 2013 (or some person designated by them for such purpose by special resolution of the holders of the Warrants 2013) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants 2013;
  - (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 2013. Every holder of the Warrants 2013 shall thereupon be entitled, subject to the conditions set out in the Deed Poll, to exercise his Warrants 2013 at any time not more than 21 days prior to the proposed general meeting of the Company by submitting the subscription form (by irrevocable surrender of his Warrants 2013 to the Company) duly completed authorising the debiting of his Warrants 2013 together with payment of the relevant exercise price, whereupon the Company shall as soon as possible but in any event prior to the date of the general meeting, allot the relevant XDL Shares to the holder of the said Warrants 2013 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 Warrants 2013 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 2013 will cease to be valid for any purpose.

- Transferability : The Warrants 2013 shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 of Malaysia and the Rules of Bursa Depository Sdn. Bhd.
- Deed Poll : The Warrants 2013 shall be constituted under a Deed Poll to be executed by the Company.
- Governing Law : The Warrants 2013 and the Deed Poll shall be governed by the laws of Malaysia.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

### 2.3 Minimum subscription level, undertaking and underwriting arrangement

There is no minimum subscription level for the Proposed Rights Issue. Nonetheless, in order to extend its support for the Proposed Rights Issue, HongPeng International Holdings Limited ("**HongPeng**") (the major shareholder of XDL) has provided an irrevocable undertaking to subscribe in full for its entitlement for at least 121,300,000 Rights Shares ("**Undertaking**"), which represents the entire issuance of Rights Shares under the Minimum Scenario (*as defined in Section 2.5 of this announcement*), together with at least 90,975,000 free Warrants 2013 and at least 90,975,000 Bonus Shares on the Entitlement Date, based on its shareholding of 363,900,000 XDL Shares or 50.12% of the issued and paid-up share capital of XDL as at 20 September 2013, being the latest practicable date prior to the date of this announcement ("**LPD**"). In view of the foregoing, there will be no underwriting arrangement for the Proposed Rights Issue.

Pursuant to the Undertaking, HongPeng has irrevocably and unconditionally warranted that it shall not sell or in any other way dispose of or transfer its interest in the 363,900,000 XDL Shares or any part thereof during the period commencing from the date of the Undertaking to the Entitlement Date.

In the event that the shareholdings of HongPeng in the Company falls to between 33% and 50% of the total issued and paid-up share capital of the Company at any time and subsequently HongPeng elects to exercise the Warrants 2013 and/or Warrants 2012/2015, the number of warrants exercised and the timing of the exercise of such warrants may result in the shareholding of HongPeng in the Company increasing by more than 2% in a period of six (6) months. This may trigger a mandatory offer obligation under Part III of the Malaysian Code on Take-Overs and Mergers, 2010 ("**Code**") unless otherwise exempted by the Securities Commission Malaysia ("**SC**") under the provisions of the Code upon application by HongPeng, subject to the provisions of the Code and any other conditions imposed by the SC. HongPeng has confirmed that it will at all times observe and ensure compliance with the provisions of the Code and will seek the necessary exemptions from the SC, if required.

For illustrative purposes, HongPeng will hold between 48.68% (under Maximum Scenario) and 61.41% (under Minimum Scenario) of the enlarged issued and paid-up share capital of the Company upon completion of the Proposals. In this instance, XDL will still be in compliance with Chapter 8 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), which requires that "*at least 25% of XDL's total listed shares are to be held by public shareholders*".

HongPeng has confirmed via its Undertaking that it has sufficient financial means and resources to subscribe in full for its entitlement for at least 121,300,000 Rights Shares and will make full payment for the Rights Shares upon subscription in accordance with the terms and conditions of the abridged prospectus to be issued by XDL in connection with the Proposed Rights Issue. Mercury Securities have verified the sufficiency of financial resources of HongPeng for the purpose of subscribing the Rights Shares pursuant to the Undertaking.

### 2.4 Basis and justification of determining the issue price of the Rights Shares and the exercise price of the Warrants 2013

#### Issue price of the Rights Shares

The issue price of RM0.35 per Rights Share was determined by the Board after taking into consideration, amongst others, the following:-

- (a) the funding requirements of XDL and its subsidiaries ("**XDL Group**" or the "**Group**"), details of which are set out in Section 4 of this announcement;

- (b) the par value of XDL Shares of USD0.10 each;
- (c) the theoretical ex-all price (“TEAP”) of XDL Shares;
- (d) the historical share price and volatility of XDL Shares; and
- (e) the trading and liquidity of XDL Shares.

The issue price of the Rights Shares represents a premium of approximately 50.6% to the TEAP of RM0.2324 per XDL Share, calculated based on the five (5)-day volume weighted average price (“VWAP”) of XDL Shares up to and including the LPD of RM0.2513. However, having considered that the Bonus Shares are issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares, the average subscription cost of RM0.20 per Rights Share (without taking into consideration the Warrants 2013, the value of which cannot be determined at this juncture) would represent a discount of approximately 13.9% to the aforementioned TEAP.

**Exercise price of the Warrants 2013**

The exercise price of RM0.35 for each of the Warrants 2013 was determined by the Board after taking into consideration, amongst others, the following:-

- (a) the par value of XDL Shares of USD0.10 each; and
- (b) the issue price of RM0.35 per Rights Share.

The exercise price of the Warrants 2013 represents a premium of approximately 50.6% to the TEAP of RM0.2324 per XDL Share, calculated based on the five (5)-day VWAP of XDL Shares up to and including the LPD of RM0.2513.

The Board, in determining the abovementioned exercise price, has also taken into consideration, amongst others, its confidence in the Company's business model and prospects.

**2.5 Capitalisation of reserves**

The issuance of up to 241,998,950 Bonus Shares amounting up to USD24,199,895 (approximately RM76,459,568 based on Bank Negara Malaysia (“BNM”)’s exchange rate of USD1:RM3.1595 as at the LPD) shall be wholly capitalised from all sums standing to the credit of the Company’s retained earnings account.

Based on the latest audited financial statements of the XDL Group for the financial year ended (“FYE”) 31 December 2012 and the latest unaudited financial statements for the financial period ended (“FPE”) 30 June 2013, the retained earnings balances at group and company levels are as follows:-

	Audited as at 31 December 2012				Unaudited as at 30 June 2013			
	Company		Group		Company		Group	
	RMB'000	<sup>(1)</sup> RM'000	RMB'000	<sup>(1)</sup> RM'000	RMB'000	<sup>(2)</sup> RM'000	RMB'000	<sup>(2)</sup> RM'000
Retained earnings	32,635	16,017	569,811	279,663	25,177	12,593	605,429	302,836

Notes:-

- (1) Translated based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012.
- (2) Translated based on BNM's exchange rate of RMB1:RM0.5002 as at 30 June 2013.

In order to provide for the shortfall in reserves at the Company's level, XDL's subsidiaries will distribute sufficient amount of dividends (net of withholding tax) to the Company for the purpose of facilitating the issuance of Bonus Shares.

For illustrative purposes, the issuance of Bonus Shares shall be capitalised from the retained earnings account of the Company under Minimum Scenario and Maximum Scenario as follows:-

**Maximum Scenario** - Assuming none of the 1,000 treasury shares as at the LPD are resold, all the 241,998,950 existing Warrants 2012/2015 as at the LPD are exercised prior to the Entitlement Date and all Rights Shares are subscribed in full

**Minimum Scenario** - Assuming none of the 1,000 treasury shares as at the LPD are resold, none of the 241,998,950 existing Warrants 2012/2015 as at the LPD are exercised prior to the Entitlement Date and that, other than HongPeng, none of the Entitled Shareholders and/or their renounee(s) subscribe for their respective entitlements under the Proposed Rights Issue

Company Level	Minimum Scenario		Maximum Scenario	
	RMB'000	RM'000	RMB'000	RM'000
Audited as at 31 December 2012 <sup>(1)</sup>	32,635	16,017	32,635	16,017
<i>Less:-</i>				
Final single tier dividend in respect of the FYE 31 December 2012 of 0.5 sen per Share amounting to RM3,630,000 paid on 18 July 2013	(7,396)	(3,630)	(7,396)	(3,630)
	25,239	12,387	25,239	12,387
<i>Add:-</i>				
Receipt of dividend <sup>(2)(3)</sup>	42,750	22,068	137,750	71,107
After receipt of dividends	67,989	34,455	162,989	83,494
<i>Less:-</i>				
Creation of warrant reserve upon issuance of free warrants <sup>(2)</sup>	(3,525)	(1,820)	(9,376)	(4,840)
Capitalisation of Bonus Shares <sup>(4)</sup>	(55,683)	(28,744)	(148,120)	(76,460)
Estimated expenses <sup>(4)(5)</sup>	(1,937)	(1,000)	(1,937)	(1,000)
After Proposed Rights Issue	<b>6,844</b>	<b>2,891</b>	<b>3,556</b>	<b>1,194</b>

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

*Notes:-*

- (1) *RM figures were translated based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012.*  
(2) *RM figures were translated based on BNM's exchange rate of RMB1:RM0.5162 as at LPD.*  
(3) *After receipt by XDL of dividends from the following subsidiaries:-*

<b>Wholly-owned subsidiaries</b>	<b>Minimum Scenario</b>		<b>Maximum Scenario</b>	
	<b>RMB'000</b>	<b><sup>(2)</sup>RM'000</b>	<b>RMB'000</b>	<b><sup>(2)</sup>RM'000</b>
<i>HongPeng (Fujian) Shoes &amp; Garments Co., Ltd to Hong Kong XinYuanChan International Holding Co., Limited ("XinYuanChan")</i>	45,000	23,229	145,000	74,849
<i>XinYuanChan to XDL (net of withholding tax)</i>	42,750	22,068	137,750	71,107

- (4) *RMB figures were translated based on BNM's exchange rate of RM1:RMB0.5162 as at LPD.*  
(5) *Estimated expenses incidental to the Proposals of RM1.0 million.*

Pursuant to Paragraph 6.30(1) of the 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 the Company's latest audited consolidated financial statements for the FYE 31 December 2012 and latest unaudited financial statements for the FPE 30 June 2013, the reserves available for capitalisation of 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 for the FYE 31 December 2012 and latest unaudited financial statements for the FPE 30 June 2013 as well as upon implementation of the proposed distribution by XDL's subsidiaries, the Company will have sufficient reserves in its retained earnings account at both group and company levels for capitalisation of the Bonus Shares.

Further, pursuant to paragraph 6.30(3) of the Listing Requirements, the Board will obtain confirmation from the reporting accountants on the adequacy of reserves for the capitalisation of the Bonus Shares, based on the Company's latest unaudited financial statements for the FPE 30 June 2013 as well as after the distributions proposed to be made to XDL.

**2.6 Ranking of Rights Shares, Bonus Shares and new XDL Shares arising from the exercise of the Warrants 2013**

**Rights Shares and Bonus Shares**

The Rights Shares and Bonus Shares shall, upon allotment, issuance and full payment (where applicable), rank *pari passu* in all respects with the then existing issued and fully paid-up XDL Shares, save and except that the Rights Shares and 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 respective date of allotment of the Rights Shares and Bonus Shares.

**New XDL Shares arising from the exercise of Warrants 2013**

The new XDL Shares to be issued pursuant to the exercise of the Warrants 2013 shall, upon allotment, issuance and full payment of the exercise price of the Warrants 2013, rank *pari passu* in all respects with the then existing issued and fully paid-up 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 2013.

**2.7 Listing and quotation of Rights Shares, Warrants 2013, Bonus Shares and new XDL Shares to be issued pursuant to the exercise of the Warrants 2013**

An application will be made to Bursa Securities for the listing and quotation of the Rights Shares, Warrants 2013, Bonus Shares and new XDL Shares to be issued pursuant to the exercise of the Warrants 2013 within a period of one (1) month from the date of this announcement.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**3. THE PROPOSED AMENDMENTS**

The Proposed Amendments entail amendments to the Bye-laws of the Company in order to facilitate the issuance of Bonus Shares to Entitled Shareholders and/or their renounees and other persons who subscribe for and are allotted the Rights Shares pursuant to the Proposed Rights Issue. The details of the Proposed Amendments and the corresponding provisions in the Company's existing Bye-laws of the Company are set out below. The inserted texts are underlined for easy reference. These markings will not be reproduced in the final form of the amended Bye-laws.

<b>Existing</b>	<b>Proposed Amendments</b>
<p><u>Bye-law 146:</u>            146. The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.</p>	<p><u>Bye-law 146:</u>            146.(1) The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.</p> <p><u>(2) In addition, the Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for</u></p>

	<p><u>distribution among selected Members or part only of a class of Members (each, and collectively, the “Entitled Members”) and in such proportion as may be determined in accordance with the manner authorised in the said ordinary resolution, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Entitled Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up to such Entitled Members, or partly in one way and partly in the other. and the Board shall give effect to such resolution, provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Entitled Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.</u></p>
<p><u>Bye-law 147:</u> 147. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.</p>	<p><u>Bye-law 147:</u> 147. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members <u>or Entitled Members, as the case may be</u>, in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members <u>or the Entitled Members, as the case may be.</u></p>

**4. UTILISATION OF PROCEEDS**

Based on the issue price of RM0.35 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue and its expected utilisation under the Minimum Scenario and Maximum Scenario are as follows:-

<b>Proposed utilisation of proceeds</b>	<b>Expected timeframe for utilisation</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Construction of the second stage of the XDL Group's new design and production centre ("D&P Centre")	Within 3 years	41,455	111,933
Estimated expenses in relation to the Proposals <sup>(1)</sup>		1,000	1,000
		<b><sup>(2)</sup>42,455</b>	<b>112,933</b>

**Notes:-**

- (1) *The estimated expenses of approximately RM1.0 million comprises, amongst others, estimated professional fees, fees payable to relevant authorities, printing and advertising expenses as well as other miscellaneous expenses. If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for the construction of the second stage of the new D&P Centre. Conversely, any surplus of funds following payment of expenses will be utilised for the construction of the second stage of the new D&P Centre.*
- (2) *Any proceeds raised from the Proposed Rights Issue in addition to that under the Minimum Scenario will be allocated to fund the construction of the second stage of the new D&P Centre.*

The actual gross proceeds to be raised from the Proposed Rights Issue will depend on the actual number of Rights Shares that will be finally issued.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants 2013 would depend on the actual number of Warrants 2013 exercised. The proceeds from the exercise of the Warrants 2013 will be received on an "as and when basis" over the tenure of the Warrants 2013.

Strictly for illustrative purposes, based on the exercise price of RM0.35 per Warrant 2013, the Company will raise gross proceeds of up to RM84.7 million upon full exercise of the Warrants 2013 under the Maximum Scenario. Any proceeds arising from any potential exercise of Warrants 2013 and/or Warrants 2012/2015 in the future will be used to finance future working capital requirements.

**Details of the second stage of the new D&P Centre**

The new D&P Centre is a two (2)-stage development that caters for the design and manufacture of sports shoes and apparel, strategically located at a promising location in an upcoming commercial and business district of Jinjiang City.

The new D&P Centre is strategically situated in Zhainei Village, Neikeng County, Jinjiang City, which is envisaged to expand Jinjiang City's commercial real estate zones beyond the existing city center surrounding the Qingyang District of Jinjiang City, and is surrounded by the following significant landmarks:-

- (a) new campus of Quanzhou Institute of Technology and the headquarters of Neikeng County's local government authorities, which are opposite the new D&P Centre;
- (b) Jinjiang Train Station within one (1) kilometre, which feeds into the Xiamen City – Shenzhen City high-speed train line; and

- (c) Quanzhou Jinjiang International Dry Port within two (2) kilometres, which serves as the major land transport hub for commercial goods for Quanzhou City and Jinjiang City.

The first stage of the new D&P Centre has been completed in the first quarter of 2013 with eight (8) buildings spanning across approximately 51,700 square metres (“sqm”) land area (comprising production, dormitory, administration and warehouse space) giving a total built-up area of 114,453 sqm. Since the completion of the first stage, the Company has been progressively moving its production lines from its existing factory to the D&P Centre in phases to ensure a smooth transition. The relocation of all its production lines to the D&P Centre is expected to be completed by the first quarter of 2014.

The second stage of the D&P Centre will primarily be utilised for the development of the Group’s management offices, e-commerce centre, research and development centre, product showroom and senior management dormitories. The new building involves the construction of a 21-storey building with two (2) floors of basement parking (total 23 floors) on a plot of land measuring approximately 16,000 sqm adjacent to the completed first stage D&P centre, and is envisioned to provide a total built-up area of approximately 52,000 sqm upon completion (“**Stage 2 Building**”).

Construction of the Stage 2 Building is expected to commence in the second quarter of 2014 and is expected to complete within three (3) years. Currently, the proposed building plan has been submitted to the relevant authorities and is under their assessment. Approval for the same is expected by the first quarter of 2014. The total cost for the Stage 2 Building is estimated to be approximately RMB380.0 million (approximately RM196.2 million based on the exchange rate of RMB1:RM0.5162 as at the LPD). The cost was estimated based on the proposed building plan and after discussions with architects and quantity surveyors. The cost will be finalised prior to commencement of construction via a tender process.

The Company intends to utilise the proceeds from the Proposed Rights Issue to part finance the Stage 2 Building, whilst the remaining amount will be funded by bank borrowings and internally-generated funds. Any proceeds earmarked to part finance the Stage 2 Building which are not utilised will be utilised by the Company for working capital purposes.

The Group’s decision to construct the Stage 2 Building was premeditated, taking into account practical and strategic considerations in planning for its future business needs. The Group intends to utilise the 21-floor Stage 2 Building for the following purposes:-

- (a) a total of sixteen (16) floors to facilitate the Group’s business and operations;
- (b) to lease out two (2) floors for commercial and retail activities for rental income; and
- (c) to lease out three (3) floors, with a focus on strategic tenants, as general office space for rental income.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

<b>Level</b>					
<b>21</b>					Director offices
<b>20</b>					Corporate office
<b>19</b>					Corporate office
<b>18</b>					Corporate office
<b>17</b>					Corporate office
<b>16</b>					Meeting rooms/ conference hall
<b>15</b>					E-commerce centre for apparel and shoes
<b>14</b>					E-commerce centre for apparel and shoes
<b>13</b>					Product research & design / prototype development & physical testing
<b>12</b>					Product research & design / prototype development & physical testing
<b>11</b>					Product display showcase
<b>10</b>					Product display showcase
<b>9</b>					Senior management dormitory
<b>8</b>					Senior management dormitory
<b>7</b>					Senior management dormitory
<b>6</b>					Senior management dormitory
<b>5</b>					Office space for lease
<b>4</b>					Office space for lease
<b>3</b>					Office space for lease
<b>2</b>					Shop lots for lease
<b>1</b>					Shop lots for lease
<b>Basement 1</b>					Basement parking
<b>Basement 2</b>					Basement parking

### **Levels 1 and 2**

The roads bordering the Stage 2 Building are anticipated to also cater to the surrounding commercial zones, which will result in increased pedestrian traffic along these roads. To capitalise on this, the Group have earmarked the first two (2) floors of the building for commercial and retail businesses.

### **Levels 3 to 5**

The Group intends to lease out these floors to sportswear related customers and businesses as office space for synergistic purposes. The Group will not only be able to receive rental income but will also be able to establish its presence amongst customers of its lessees and create future business opportunities.

Upon completion of the Stage 2 Building, the Group will engage real estate agents to solicit lessees at prevailing market rental rates. Upon expiry of the rental agreements, the Group has the flexibility to extend the lease or to keep these floors for its own use.

### **Levels 6 to 9**

Levels 6 to 9 will be used as senior management's dormitory. In China, it is common practice for companies to provide accommodation to employees (from general factory workers to senior management) as in many instances, a significant number of their employees come from other provinces. By providing accommodation to employees in the vicinity of their production facilities or offices, companies are not only able to incentivise employees but also to optimise logistics for them and in turn improve efficiencies.

As the Group plans to relocate its operations from its existing premises in Chendai County to the new D&P Centre, it will need more space for senior management including accommodation and leisure areas.

**Levels 10 and 11**

Levels 10 and 11 will be used as the Group's showroom to showcase its range of products. In addition, the Group has earmarked a section of its showroom to be utilised as a brand development centre that will also showcase its historical development and highlights its key achievements in brand development.

**Levels 12 and 13**

Levels 12 and 13 will be used as the Group's product research and development centre. A larger area is required as the Group plans to construct a testing ground that replicates various terrains to simulate actual outdoor usage conditions. This space will allow users to test out shoes and apparel for comfort and fit during movement, breathability, durability and etc. Further, this will also enable the Group to demonstrate the depth of their shoe and apparel product development capabilities.

**Levels 14 and 15**

The e-commerce centre occupying Levels 14 and 15 is to support the Group's online business as well as online delivery logistics.

The Group recognises that the Internet is an important instrument for companies to extend their customer reach. With technological advances in telecommunications as well as the proliferation of mobile devices and social media, e-commerce is increasingly prevalent, not just as a medium of exchange for goods and services, but also an important part of a company's marketing agenda to transcend geographical borders.

The Group has plan to further improve its online business as online purchases of its products will increase in volume given that it will be able to reach out to a wider consumer base in China and overseas. Further, online trading has gained wide acceptance in the PRC in the past few years.

The e-commerce centre will be a standalone unit with an independent sales team (providing sales and after sales support), goods delivery logistics centre as well as temporary storage of orders received.

**Levels 16 to 21**

Levels 16 to 21 will be used as management offices and meeting spaces.

Following the completion of the new D&P Centre, the Group will be able to consolidate all its existing operations into a single location and will house an estimated workforce of over 3,000 employees.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

## **5. RATIONALE FOR THE PROPOSALS**

### **5.1 The Proposed Rights Issue**

The Proposed Rights Issue will enable the Company to raise funds and channel them towards the proposed utilisation as set out in Section 4 of this announcement. After due consideration of the various options available, the Board is of the opinion that the Proposed Rights Issue is the most suitable for the following reasons:-

- (a) The Proposed Rights Issue will involve the issuance of new XDL Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue;
- (b) The Proposed Rights Issue provides an opportunity for the Entitled Shareholders to participate in an equity offering of the Company on a pro-rata basis; and
- (c) The Proposed Rights Issue will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing.

The Warrants 2013 and Bonus Shares attached to the Rights Shares are intended to encourage the Entitled Shareholders to subscribe for the Rights Shares.

In addition, the Warrants 2013 will provide Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants 2013, and will allow Shareholders to further participate in the future growth of the Company when the Warrants 2013 are exercised.

The exercise of the Warrants 2013 in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, should the Company increase its borrowings in the future, the exercise of the Warrants 2013 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.

### **5.2 The Proposed Amendments**

The Proposed Amendments is intended to facilitate the implementation of the Proposed Rights Issue to permit the Company to allot and issue the Bonus Shares to the Entitled Shareholders and/or their renounees and other persons who subscribe for and are allotted the Rights Shares pursuant to the Proposed Rights Issue.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**6. EFFECTS OF THE PROPOSALS**

The Proposed Amendments will not have any effect on the issued and paid-up share capital, net assets (“NA”) and gearing, substantial shareholders’ shareholdings, the consolidated earnings and earnings per shares (“EPS”) of the Group as well as the convertible securities of the Company.

**6.1 Share capital**

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

	Minimum Scenario			Maximum Scenario		
	No. of Shares	<sup>(1)</sup> Share Capital (USD)	<sup>(2)</sup> Share Capital (RM)	No. of Shares	<sup>(1)</sup> Share Capital (USD)	<sup>(2)</sup> Share Capital (RM)
Issued and paid-up share capital as at LPD <sup>(3)</sup>	725,996,850	72,599,685	240,213,747	725,996,850	72,599,685	240,213,747
Issued pursuant to the exercise of all existing Warrants 2012/2015	-	-	-	241,998,950	24,199,895	76,459,568
	725,996,850	72,599,685	240,213,747	967,995,800	96,799,580	316,673,315
Rights Shares to be issued pursuant to the Proposed Rights Issue	121,300,000	12,130,000	38,324,735	322,665,266	32,266,527	101,946,092
Bonus Shares to be issued pursuant to the Proposed Rights Issue	90,975,000	9,097,500	28,743,551	241,998,950	24,199,895	76,459,568
	938,271,850	93,827,185	307,282,033	1,532,660,016	153,266,002	495,078,975
Shares to be issued assuming full exercise of the Warrants 2013 under the Proposed Rights Issue	90,975,000	9,097,500	28,743,551	241,998,950	24,199,895	76,459,568
<b>Enlarged issued and paid-up share capital</b>	<b>1,029,246,850</b>	<b>102,924,685</b>	<b>336,025,584</b>	<b>1,774,658,966</b>	<b>177,465,897</b>	<b>571,538,543</b>

Notes:-

- (1) Par value of XDL Shares at USD0.10 each.
- (2) For illustrative purposes, all RM figures were translated based on BNM’s exchange rate of USD1:RM3.1595 as at LPD except the issued and paid-up share capital as at LPD which was translated at historical exchange rates on the respective issuance date of the Shares.
- (3) Excluding the 1,000 Treasury Shares which are assumed not to be resold in the market as at LPD.

6.2 NA and gearing

The proforma effects of the Proposed Rights Issue on the NA and gearing of the Group are as follows:-

**Minimum Scenario**

	Audited as at 31 December 2012		<sup>(1)</sup> After adjusting for payment of final dividend		<sup>(I)</sup> After the Proposed Right Issue		<sup>(II)</sup> After <sup>(I)</sup> and upon full exercise of the Warrants 2013	
	RMB'000	<sup>(4)</sup> RM'000	RMB'000	<sup>(5)</sup> RM'000	RMB'000	<sup>(5)</sup> RM'000	RMB'000	<sup>(5)</sup> RM'000
Share capital <sup>(6)</sup>	488,281	240,214	488,281	240,214	618,208	307,283	673,891	336,027
Share premium	-	-	-	-	8,001	4,130	17,527	9,047
Other reserves <sup>(7)</sup>	(180,368)	(88,525)	(180,368)	(88,525)	(180,368)	(88,525)	(180,368)	(88,525)
Warrants reserves	25,151	12,344	25,151	12,344	28,676	14,164	25,151	12,344
Retained earnings	569,811	279,663	562,415	276,033	<sup>(8)</sup> 501,270	<sup>(8)</sup> 244,469	501,270	244,469
<b>Shareholders' equity / NA</b>	<b>902,875</b>	<b>443,696</b>	<b>895,479</b>	<b>440,066</b>	<b>975,787</b>	<b>481,521</b>	<b>1,037,471</b>	<b>513,362</b>
NA per Share (RMB / RM)	1.24	0.61	1.23	0.61	1.04	0.51	1.01	0.50
No. of Shares in issue <sup>(6)</sup>	725,996,850	725,996,850	725,996,850	725,996,850	938,271,850	938,271,850	1,029,246,850	1,029,246,850
Total borrowings	-	-	-	-	-	-	-	-
Gearing (times)	-	-	-	-	-	-	-	-

Notes:-

- (1) A single-tier final dividend in respect of the FYE 31 December 2012 of 0.50 sen per Share amounting to RM3,629,989 had been paid on 18 July 2013.
- (2) Based on the issue price of RM0.35 per Rights Share.
- (3) Based on the exercise price of RM0.35 per Warrant 2013.
- (4) Translated based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012 except the share capital which was translated at historical exchange rates on the respective issuance date of the Shares.
- (5) Translated based on BNM's exchange rate of RMB1:RM0.5162 as at LPD except the share capital which was translated at historical exchange rates on the respective issuance date of the Shares.
- (6) Excluding the 1,000 treasury shares which are assumed not to be resold in the market as at LPD.
- (7) Other reserves comprise merger deficit, exchange translation reserve and treasury shares, all of which are in debit balance of RMB204,906,000, RMB373,000 and RMB1,000 respectively (RM100,567,865, RM183,068 and RM491 based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012) as well as statutory surplus reserves, which is in credit balance of RMB24,912,000 (RM12,226,810 based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012).
- (8) After deducting estimated expenses incidental to the Proposals of RM1.0 million (RMB1.9 million based on BNM's exchange rate of RMB1:RM0.5162 as at LPD).

**Maximum Scenario**

	Audited as at 31 December 2012		<sup>(1)</sup> After adjusting for payment of final dividend		<sup>(2)</sup> After adjusting for full exercise of all existing Warrants 2012/2015		<sup>(3)</sup> After (I) and the Proposed Right Issue		<sup>(4)</sup> After (II) and upon full exercise of the Warrants 2013	
	RMB'000	<sup>(5)</sup> RM'000	RMB'000	<sup>(6)</sup> RM'000	RMB'000	<sup>(6)</sup> RM'000	RMB'000	<sup>(6)</sup> RM'000	RMB'000	<sup>(6)</sup> RM'000
Share capital <sup>(7)</sup>	488,281	240,214	488,281	240,214	636,401	316,674	982,014	495,080	1,130,134	571,540
Share premium	-	-	-	-	41,114	20,584	62,398	31,571	87,737	44,651
Other reserves <sup>(8)</sup>	(180,368)	(88,525)	(180,368)	(88,525)	(180,368)	(88,525)	(180,368)	(88,525)	(180,368)	(88,525)]
Warrants reserves	25,151	12,344	25,151	12,344	-	-	9,376	4,840	-	-
Retained earnings	569,811	279,663	562,415	276,033	562,415	276,033	<sup>(9)</sup> 402,982	<sup>(9)</sup> 193,733	402,982	193,733
<b>Shareholders' equity / NA</b>	<b>902,875</b>	<b>443,696</b>	<b>895,479</b>	<b>440,066</b>	<b>1,059,562</b>	<b>524,766</b>	<b>1,276,402</b>	<b>636,699</b>	<b>1,440,485</b>	<b>721,399</b>
NA per Share (RMB / RM)	1.24	0.61	1.23	0.61	1.09	0.54	0.83	0.42	0.81	0.41
No. of Shares in issue <sup>(7)</sup>	725,996,850	725,996,850	725,996,850	725,996,850	967,995,800	967,995,800	1,532,660,016	1,532,660,016	1,774,658,966	1,774,658,966
Total borrowings	-	-	-	-	-	-	-	-	-	-
Gearing (times)	-	-	-	-	-	-	-	-	-	-

**Notes:-**

- (1) A single-tier final dividend in respect of the FYE 31 December 2012 of 0.50 sen per Share amounting to RM3,629,989 had been paid on 18 July 2013.
- (2) Based on the exercise price of RM0.35 per Warrant 2012/2015.
- (3) Based on the issue price of RM0.35 per Rights Share.
- (4) Based on the exercise price of RM0.35 per Warrant 2013.
- (5) Translated based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012 except the share capital which was translated at historical exchange rates on the respective issuance date of the Shares.
- (6) Translated based on BNM's exchange rate of RMB1:RM0.5162 as at LPD except the share capital which was translated at historical exchange rates on the respective issuance date of the Shares.
- (7) Excluding the 1,000 treasury shares which are assumed not to be resold in the market as at LPD.
- (8) Other reserves comprise merger deficit, exchange translation reserve and treasury shares, all of which are in debit balance of RMB204,906,000, RMB373,000 and RMB1,000 respectively (RM100,567,865, RM183,068 and RM491 based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012) as well as statutory surplus reserves, which is in credit balance of RMB24,912,000 (RM12,226,810 based on BNM's exchange rate of RMB1:RM0.4908 as at 31 December 2012).
- (9) After deducting estimated expenses incidental to the Proposals of RM1.0 million (RMB1.9 million based on BNM's exchange rate of RMB1:RM0.5162 as at LPD).

### 6.3 Substantial shareholders' shareholdings

The substantial shareholders based on the Register of Substantial Shareholders as at the LPD and the proforma effects of the Proposed Rights Issue on the shareholdings of the substantial Shareholders are as follows:-

#### Minimum Scenario

Substantial Shareholders	Existing shareholdings as at the LPD				(I) After Proposed Rights Issue				(II) After (I) and upon full exercise of the Warrants 2013			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	<sup>(1)</sup> %	No. of Shares	<sup>(1)</sup> %	No. of Shares	<sup>(2)</sup> %	No. of Shares	<sup>(2)</sup> %	No. of Shares	<sup>(3)</sup> %	No. of Shares	<sup>(3)</sup> %
HongPeng	363,900,000	50.12	-	-	576,175,000	61.41	-	-	667,150,000	64.82	-	-
Ding PengPeng	-	-	<sup>(4)</sup> 363,900,000	50.12	-	-	<sup>(4)</sup> 576,175,000	61.41	-	-	<sup>(4)</sup> 667,150,000	64.82

Notes:-

- (1) Based on the issued and paid-up share capital (excluding 1,000 treasury shares) of 725,996,850 Shares as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital (excluding 1,000 treasury shares) of 938,271,850 Shares, under the Minimum Scenario.
- (3) Based on the enlarged issued and paid-up share capital (excluding 1,000 treasury shares) of 1,029,246,850 Shares, under the Minimum Scenario.
- (4) Deemed interested by virtue of his interest in HongPeng pursuant to Section 6A of the Malaysian Companies Act.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**Maximum Scenario**

Substantial Shareholders	Existing shareholdings as at LPD				(I) After adjusting for full exercise of all existing Warrants 2012/2015				(II) After (I) and the Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	<sup>(1)</sup> %	No. of Shares	<sup>(1)</sup> %	No. of Shares	<sup>(2)</sup> %	No. of Shares	<sup>(2)</sup> %	No. of Shares	<sup>(3)</sup> %	No. of Shares	<sup>(3)</sup> %
HongPeng	363,900,000	50.12	-	-	471,247,600	48.68	-	-	746,142,032	48.68	-	-
Ding PengPeng	-	-	<sup>(5)</sup> 363,900,000	50.12	-	-	<sup>(5)</sup> 471,247,600	48.68	-	-	<sup>(5)</sup> 746,142,032	48.68

Substantial Shareholders	(III) After (II) and upon full exercise of the Warrants 2013			
	Direct		Indirect	
	No. of Shares	<sup>(4)</sup> %	No. of Shares	<sup>(4)</sup> %
HongPeng	863,953,932	48.68	-	-
Ding PengPeng	-	-	<sup>(5)</sup> 863,953,932	48.68

Notes:-

- (1) Based on the issued and paid-up share capital (excluding 1,000 treasury shares) of 725,996,850 Shares as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital (excluding 1,000 treasury shares) of 967,995,800 Shares, under the Maximum Scenario.
- (3) Based on the enlarged issued and paid-up share capital (excluding 1,000 treasury shares) of 1,532,660,016 Shares, under the Maximum Scenario.
- (4) Based on the enlarged issued and paid-up share capital (excluding 1,000 treasury shares) of 1,774,658,966 Shares, under the Maximum Scenario.
- (5) Deemed interested by virtue of his interest in HongPeng pursuant to Section 6A of the Malaysian Companies Act.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

#### **6.4 Earnings and EPS**

The Proposed Rights Issue is not expected to have any immediate material effect on the consolidated earnings of the Group for the FYE 31 December 2013.

However, the EPS of the Group is expected to be diluted as a result of the increase in the number of XDL Shares pursuant to the issuance of Rights Shares and Bonus Shares under the Proposed Rights Issue as well as the new XDL Shares arising from the exercise of the Warrants 2013.

The potential effect of the exercise of the Warrants 2013 on the future consolidated earnings and EPS of the Group will depend upon, amongst others, the number of Warrants 2013 exercised at any point in time.

Although the EPS shall be correspondingly diluted as a result of the increase in the number of XDL Shares in issue pursuant to the Proposed Rights Issue, the Proposed Rights Issue is expected to contribute positively to the Group's consolidated earnings thereafter through the utilisation of the proceeds from the issuance of Rights Shares for construction of the Stage 2 Building as well as proceeds from the exercise of the Warrants 2013 for future working capital purposes.

#### **6.5 Dividend**

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.

#### **6.6 Convertible Securities**

The implementation of the Proposed Rights Issue may give rise to adjustments to the exercise price and/or the number of existing Warrants 2012/2015 (if applicable) in accordance with the provisions of the deed poll governing the Warrants 2012/2015. This is to ensure that the status of the holders of the existing Warrants 2012/2015 is not prejudiced due to the Proposed Rights Issue.

Any necessary adjustments arising from the Proposed Rights Issue (if applicable) will only be finalised by the Board on the Entitlement Date. The rights and obligations of the holders of the existing Warrants 2012/2015 will remain unchanged, save for the adjustment to the exercise price and/or the number of existing Warrants 2012/2015 (if applicable). The holders of the existing Warrants 2012/2015 will be notified in due course.

Save for the existing Warrants 2012/2015, as at the LPD, the Company does not have any other outstanding existing convertible securities.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**7. APPROVALS REQUIRED**

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

- (a) Bursa Securities for the following:-
  - (i) the admission of the Warrants 2013 to the Official List of Bursa Securities;
  - (ii) the listing and quotation of the Rights Shares, Warrants 2013, Bonus Shares and the additional warrants to be issued to holders of existing Warrants 2012/2015 pursuant to the adjustments made to the existing Warrants 2012/2015 in accordance with the deed poll dated 15 March 2012 ("**Additional Warrants**"); and
  - (iii) the listing and quotation of the new Shares arising from the exercise of the Warrants 2013 and Additional Warrants,
- (b) the shareholders of the Company at a special general meeting to be convened for the Proposals; and
- (c) the approvals / consents of any other relevant authorities / parties, if required.

The Proposed Rights Issue and the Proposed Amendments are inter-conditional, but not conditional upon any other corporate exercises being or proposed to be undertaken by the Company.

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

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

**9. DIRECTORS' STATEMENT**

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation and taking into consideration the rationale and all other aspects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

**10. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the first (1<sup>st</sup>) quarter of 2014.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**11. ADVISER**

Mercury Securities has been appointed by the Company to act as the Adviser in relation to the Proposals.

**12. APPLICATIONS TO THE RELEVANT AUTHORITIES**

The applications to the relevant authorities for the Proposals are expected to be submitted within one (1) month from the date of this announcement.

This announcement is dated 30 September 2013.