

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

PROPOSED PAR VALUE REDUCTION VIA CANCELLATION OF USD0.07 OF THE PAR VALUE OF EVERY ISSUED AND UNISSUED SHARE OF XDL OF USD 0.10 EACH PURSUANT TO SECTIONS 45 AND 46 OF THE COMPANIES ACT 1981 OF BERMUDA (“BERMUDA COMPANIES ACT”)

1. INTRODUCTION

On behalf of the Board of Directors of XDL (**%Board+**), Mercury Securities Sdn. Bhd. (**%Mercury Securities+**) wishes to announce that the Company proposes to undertake a par value reduction of each issued and unissued share in the capital of the Company effective on such date as may be determined by the Directors of the Company (**%Par Value Reduction Effective Date+**).

2. DETAILS OF THE PROPOSED PAR VALUE REDUCITON (AS DEFINED HEREIN)

As at 18 December 2014, being the latest practicable date prior to this announcement (**%LPD+**), the authorised share capital of the Company is USD300,000,000 divided into 3,000,000,000 ordinary shares (**%Shares+**) of USD0.10 par value each, out of which 1,149,496,012 Shares (including 1,000 Shares held as treasury shares) of USD0.10 par value have been issued and fully paid-up.

The Directors have proposed to undertake the following effective on the Par Value Reduction Effective Date:-

- (i) the proposed reduction of issued and paid-up share capital of the Company from USD114,949,601.20 to USD34,484,880.36 by cancelling the paid-up capital of the Company to the extent of USD0.07 on each of the existing issued and paid-up Shares (including 1,000 Shares held as treasury share) of USD0.10 par value so that each issued Share of USD0.10 par value shall be treated as a fully paid-up Share of USD0.03 par value as at the Par Value Reduction Effective Date and any liability of the holder of such Shares to make any further contribution to the capital of the Company on each such Share shall be treated as satisfied (**%Proposed Par Value Reduction of Issued Capital+**);
- (ii) subject to and forthwith upon the Proposed Par Value Reduction of Issued Capital taking effect, the cancellation of all the authorised but unissued Shares of USD0.10 par value each (which shall include the authorised but unissued share capital resulting from the Proposed Par Value Reduction of Issued Capital) and the diminution of the authorised share capital of the Company of USD300,000,000 by USD265,515,119.64 representing the amount of Shares so cancelled and, forthwith upon such cancellation, the authorised share capital of the Company be increased to USD300,000,000 by the creation of 8,850,503,988 Shares of USD0.03 par value each (representing the difference between 10,000,000,000 Shares of USD0.03 par value each and the number of Shares of USD0.03 par value each in issue after the Proposed Par Value Reduction of Issued Capital); and
- (iii) subject to and forthwith upon the Proposed Par Value Reduction of Issued Capital taking effect, the transfer of the credit arising from the Proposed Par Value Reduction of Issued Capital to the contributed surplus account of the Company which may be utilised in such manner as may be determined by the Board and permitted by applicable law, including but not limited to capitalisation of such reserve (or any part thereof) for future corporate exercises of the Company.

((i), (ii) and (iii) above are collectively referred to as the **%Proposed Par Value Reduction+**)

Upon the abovementioned taking effect:-

- (i) the par value of each issued and unissued Share (including treasury shares) will be reduced from USD0.10 to USD0.03;
- (ii) the authorised share capital of the Company will remain intact at USD300,000,000 but will be divided into 10,000,000,000 Shares of par value of USD0.03 each; and
- (iii) the total number of issued and paid-up Shares (including treasury shares) will remain intact at 1,149,496,012 Shares, but will comprise Shares of USD0.03 par value each.

The Proposed Par Value Reduction:-

- (i) will not result in any adjustment to the share price of the Company or the number of Shares held by the shareholders of the Company (~~%Shareholders+~~); and
- (ii) will not result in any adjustment to the exercise price or the number of outstanding warrants with an exercise price of RM0.35 each, which have been issued by the Company on 26 April 2012 and are expiring on 25 April 2015 (~~%Warrants 2012/2015+~~) and outstanding warrants with an exercise price of RM0.35 each, which have been issued by the Company on 23 January 2014 and are expiring on 22 January 2017 (~~%Warrants 2014/2017+~~).

Upon completion of the Proposed Par Value Reduction, warrant holders who exercise their warrants will be receiving Shares of USD0.03 par value each as opposed to Shares of USD0.10 par value each.

The effects of the Proposed Par Value Reduction on the share capital of the Company upon its completion is illustrated in Section 4.1 below.

3. RATIONALE FOR THE PROPOSED PAR VALUE REDUCTION

As at 30 December 2014, being the market day prior to this announcement, the closing share price of XDL was RM0.095 (or USD0.027, based on Bank Negara Malaysia's (~~%BNM+~~) exchange rate of USD1:RM3.4985), which is at a discount of approximately 72.8% to the existing par value of USD0.10 each.

The Company is an exempted company incorporated in Bermuda and is subject to the Bermuda Companies Act. Under Bermuda law, a share in a company may not be issued for a consideration that is below its par value. Thus, the current share price of XDL is not conducive for the Company to embark on any fund raising exercises and/or corporate exercises involving issuance of equity and equity-related securities. Accordingly, the Proposed Par Value Reduction will provide the Company with greater flexibility to raise funds at a more attractive price and to implement future corporate exercises which entail the issuance of equity and equity-related securities including, amongst others, ordinary shares and convertibles, thus enabling XDL to take advantage of future fund raising opportunities as and when the need arises.

In undertaking the Proposed Par Value Reduction, the Company and its subsidiaries (~~%Group+~~) has also taken into consideration that the reduction of par value would not result in any change to its net asset position.

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4. EFFECTS OF THE PROPOSED PAR VALUE REDUCTION

4.1 Issued and paid-up share capital

The proforma effects of the Proposed Par Value Reduction on the issued and paid-up share capital of XDL are as follows:-

	Minimum Scenario			Maximum Scenario			Par value	
	No. of Shares	USD'000	(¹)RM'000	No. of Shares	USD'000	(¹)RM'000	USD	
Issued and paid-up share capital as at the LPD (including 1,000 treasury shares)	1,149,496,012	114,950	402,783	1,149,496,012	114,950	402,783	0.10	
Proposed Par Value Reduction	-	(80,465)	(281,948)	-	(80,465)	(281,948)	(0.07)	
After the Proposed Par Value Reduction	1,149,496,012	34,485	120,835	1,149,496,012	34,485	120,835	0.03	
Full exercise of outstanding Warrants 2012 / 2015	-	-	-	261,778,552	7,853	27,518	0.03	
Full exercise of outstanding Warrants 2014 / 2017	-	-	-	181,499,212	5,445	19,079	0.03	
Enlarged share capital	1,149,496,012	34,485	120,835	1,592,773,776	47,783	167,432	0.03	

Note:-

(1) For illustrative purposes, all RM figures were translated based on BNM's exchange rate of USD1:RM3.5040 as at the LPD.

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4.2 Net Assets (“NA”) and gearing

The proforma effects of the Proposed Par Value Reduction on the NA and gearing of the Group are as follows:-

Group level	Audited as at 31 December 2013		After subsequent event ⁽¹⁾		After Proposed Par Value Reduction	
	RMB'000	RM'000 ⁽²⁾	RMB'000	RM'000 ⁽²⁾	RMB'000	RM'000 ⁽²⁾
Share capital	488,281	277,930	699,209	397,990	209,776	119,405
Treasury shares	(1)	- ⁽³⁾	(1)	- ⁽³⁾	(1)	- ⁽³⁾
Statutory surplus reserves	29,463	16,770	29,463	16,770	29,463	16,770
Warrant reserve	25,151	14,316	47,685	27,142	47,685	27,142
Merger deficit	(204,906)	(116,632)	(204,906)	(116,632)	(204,906)	(116,632)
Exchange translation reserve	(17,626)	(10,033)	33,423	19,024	33,423	19,024
Contributed surplus	-	-	-	-	489,433	278,585
Retaining earnings	661,865	376,734	528,622	300,892	528,622	300,892
Shareholders' equity / NA	982,227	559,084	1,133,495	645,185	1,133,495	645,185
No. of Shares (excluding 1,000 treasury shares)	725,996,850	725,996,850	1,149,495,012	1,149,495,012	1,149,495,012	1,149,495,012
NA per Share (RMB / RM)	1.35	0.77	0.99	0.56	0.99	0.56
Borrowings (RMB'000 / RM'000)	10,000	5,692	10,000	5,692	10,000	5,692
Gearing (times)	0.01	0.01	0.01	0.01	0.01	0.01

Notes:-

(1) After taking into consideration:-

- The change in XDL's functional currency from RM to RMB effective from 1 January 2014;
- The Company's rights issue exercise completed on 27 January 2014 involving the issuance of 241,998,950 rights shares at an issue price of RM0.35 per rights share, 181,499,212 bonus shares and 181,499,212 Warrants 2014 / 2017 (“Rights Issue”) as well as incidental expenses of RMB1.1 million in relation to the Rights Issue; and
- Issuance of an additional 19,779,602 Warrants 2012 / 2015 arising from adjustments pursuant to the Rights Issue.

(2) For illustrative purposes, all RM figures were translated based on BNM's exchange rate of RMB1:RM0.5692 as at the LPD.

(3) Negligible

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4.3 Earnings and earnings per Share (“EPS”)

The Proposed Par Value Reduction will not have any material effect on the Group's earnings and EPS.

4.4 Substantial Shareholders' shareholdings

The Proposed Par Value Reduction will not have any effect on the substantial Shareholders' shareholdings of the Company.

4.5 Dividend

The Proposed Par Value Reduction is not expected to affect the dividend payment of the Company, if any. Any future dividend payable by the Company would be dependent on, *inter-alia*, the future profitability and cash flow position of the Group.

4.6 Convertible securities

The Proposed Par Value Reduction will not result in any adjustment to the exercise price or number of outstanding Warrants 2012/2015 and Warrants 2014/2017.

5. TENTATIVE TIMELINE

Barring any unforeseen circumstances, the Board expects the Proposed Par Value Reduction to be completed by the first quarter of financial year ending 2015.

6. APPROVALS REQUIRED

In accordance to Sections 45 and 46 of the Bermuda Companies Act, the Proposed Par Value Reduction is not subject to any approvals being obtained from Bermuda authorities.

The Proposed Par Value Reduction is subject to the approvals being obtained from the following parties:-

- (i) Shareholders at the forthcoming special general meeting to be convened for the Proposed Par Value Reduction; and
- (ii) any other relevant parties / authorities, if required.

7. INTER-CONDITIONALITY

The Proposed Par Value Reduction is not conditional upon any other corporate exercise / scheme being undertaken or proposed to be undertaken by the Company.

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

None of the directors of XDL, major Shareholders of XDL and/or persons connected to them have any interest, direct and/or indirect in the Proposed Par Value Reduction.

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9. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Par Value Reduction, including but not limited to the rationale and financial effects of the Proposed Par Value Reduction, is of the opinion that the Proposed Par Value Reduction is in the best interest of the Company and Shareholders as a whole.

10. ADVISER

Mercury Securities has been appointed as the Principal Adviser for the Proposed Par Value Reduction.

This announcement is dated 31 December 2014.