

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

PROPOSED BONUS ISSUE

For illustrative purposes and unless stated otherwise, all RM figures in this announcement were translated based on Bank Negara Malaysia (“BNM”)’s exchange rate of RMB1:RM0.6351 and USD1:RM4.2160 as at 9 November 2017, being the latest practicable date prior to this announcement (“LPD”).

1. INTRODUCTION

On behalf of the Board of Directors of XDL (“**Board**”), Mercury Securities Sdn Bhd (“**Mercury Securities**”) is pleased to announce that the Company proposes to undertake a bonus issue of up to 894,179,400 new ordinary shares of USD0.04 each in the Company (“**XDL Shares**” or “**Shares**”) (“**Bonus Shares**”) on the basis of 1 Bonus Share for every 1 existing Share held by entitled shareholders of the Company (“**Entitled Shareholders**”) on an entitlement date to be determined and announced by the Board later (“**Entitlement Date**”) (“**Proposed Bonus Issue**”).

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue entails the issuance of up to 894,179,400 Bonus Shares to be credited as fully paid-up at par, on the basis of 1 Bonus Share for every 1 existing Share held by the Entitled Shareholders on the Entitlement Date.

As at the LPD, the issued and paid-up share capital of the Company is USD26,954,811.52 comprising 673,870,288 Shares (excluding 250 Shares held as treasury shares) and the Company has 220,309,112 outstanding XDL warrants 2015/2018 (“**Warrants C**”).

In conjunction with the Proposed Bonus Issue, the Company undertakes that it will not purchase any additional Shares pursuant to its share buy-back exercise until the completion of the Proposed Bonus Issue. The Company has no intention to deal with the treasury shares which the Company currently holds, whether to resell and/or distribute, prior to the completion of the Proposed Bonus Issue.

Assuming full exercise of the outstanding Warrants C, the enlarged issued and paid-up share capital of the Company would be USD35,767,176.00 comprising 894,179,400 Shares (excluding 250 Shares held as treasury shares). Based on the foregoing, the Proposed Bonus Issue entails the issuance of up to 894,179,400 Bonus Shares. The actual number of Bonus Shares to be issued will depend on the total number of issued Shares on the Entitlement Date.

Fractional entitlements arising from the Proposed Bonus Issue, if any, shall be disregarded and dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interests of the Company.

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

2.2 Capitalisation of reserves

The Proposed Bonus Issue is to be effected by way of capitalising the Company's capital redemption reserve at USD0.04 (or RMB0.2655 based on BNM's exchange rate of RMB1:RM0.6351 and USD1:RM4.2160 as at the LPD) per Bonus Share, being the par value of the Shares.

Based on the latest audited financial statements of XDL for the financial year ended 31 December ("FYE") 2016 and the latest unaudited financial statements of XDL for the 6-month financial period ended 30 June ("FPE") 2017, the capital redemption reserve, at both group and company levels, are as follows:-

	Group				Company			
	Unaudited as at 30 June 2017		Audited as at 31 December 2016		Unaudited as at 30 June 2017		Audited as at 31 December 2016	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Capital redemption reserve ⁽¹⁾	578,218	367,226	578,218	367,226	578,218	367,226	578,218	367,226

Note:-

(1) Capital redemption reserve represents the contributed surplus arising from par value reduction.

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

Minimum Scenario : Assuming none of the outstanding Warrants C are exercised into new Shares prior to the Entitlement Date

Maximum Scenario : Assuming all the outstanding Warrants C are exercised into new Shares prior to the Entitlement Date

Minimum Scenario

Company level	Unaudited as at 30 June 2017		Audited as at 31 December 2016	
	RMB'000	RM'000	RMB'000	RM'000
Before the Proposed Bonus Issue				
Capital redemption reserve	578,218	367,226	578,218	367,226
Less:-				
Capitalisation for the Proposed Bonus Issue	(178,935)	(113,642)	(178,935)	(113,642)
After the Proposed Bonus Issue				
Capital redemption reserve	399,283	253,584	399,283	253,584

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Maximum Scenario

Company level	Unaudited as at 30 June 2017		Audited as at 31 December 2016	
	RMB'000	RM'000	RMB'000	RM'000
Before the Proposed Bonus Issue				
Capital redemption reserve	578,218	367,226	578,218	367,226
Less:-				
Capitalisation for the Proposed Bonus Issue	(237,434)	(150,794)	(237,434)	(150,794)
After the Proposed Bonus Issue				
Capital redemption reserve	340,784	216,432	340,784	216,432

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

The Board confirms that based on the latest audited financial statements of the XDL and its subsidiaries (“**Group**”) for the FYE 2016 and the latest unaudited financial statements of the Group for the 6-month FPE 2017, the Group’s reserves required to be capitalised for the purposes of the Proposed Bonus Issue 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 latest audited financial statements of the Group for the FYE 2016 and the latest unaudited financial statements of the Group for the 6-month FPE 2017, the Company has sufficient reserves at both group and company levels for the capitalisation of the Proposed Bonus Issue.

2.3 Ranking of the Bonus Shares

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

2.4 Listing and quotation of the Bonus Shares

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

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3. RATIONALE FOR THE PROPOSED BONUS ISSUE

The Proposed Bonus Issue will result in an adjustment to the market price of XDL Shares, i.e. decrease by half. Based on the last traded price of the Shares as at the LPD of RM0.290, XDL Shares' reference price will be adjusted to RM0.145 after the Proposed Bonus Issue. This is expected to result in the XDL Shares being more affordable and appeal to a wider group of public shareholders and investors. This in turn may lead to enhanced trading liquidity of XDL Shares on Bursa Securities through greater participation by investors as well as broaden the shareholder base of the Company.

Apart from the above, the Proposed Bonus Issue is also aimed to reward existing Shareholders for their loyalty and continuous support by enabling them to have greater participation in the Company's equity in terms of the number of Shares held, while maintaining their percentage of equity interest in the Company.

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4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Issued and paid-up share capital

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

	Minimum Scenario			Maximum Scenario		
	No of Shares	Share capital (USD)	Share capital (RM)	No of Shares	Share capital (USD)	Share capital (RM)
Issued and paid-up share capital ⁽¹⁾ as at the LPD	673,870,288	26,954,811.52	113,641,485.37	673,870,288	26,954,811.52	113,641,485.37
To be issued assuming full exercise of outstanding Warrants C ⁽²⁾	-	-	-	220,309,112	8,812,364.48	37,152,928.65
Enlarged issued and paid-up share capital ⁽¹⁾	673,870,288	26,954,811.52	113,641,485.37	894,179,400	35,767,176.00	150,794,414.02
To be issued pursuant to the Proposed Bonus Issue	673,870,288	26,954,811.52	113,641,485.37	894,179,400	35,767,176.00	150,794,414.02
Enlarged issued and paid-up share capital⁽¹⁾ after the Proposed Bonus Issue	1,347,740,576	53,909,623.04	227,282,970.74	1,788,358,800	71,534,352.00	301,588,828.04

Notes:-

(1) Excluding 250 Shares held as treasury shares as at the LPD.

(2) The current exercise price of the Warrants C is RM0.16 per Warrant C or the RM equivalent of the par value of the Shares, whichever is higher.

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4.2 Net assets (“NA”) and gearing

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

Minimum Scenario

Group level	Audited as at 31 December 2016		(I) After subsequent events ⁽¹⁾		(II) After (I) and the Proposed Bonus Issue ⁽²⁾	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital ⁽³⁾	157,909	100,288	157,909	100,288	336,844	213,929
Share premium	15,087	9,582	15,087	9,582	15,087	9,582
Warrant reserve	24,032	15,263	-	-	-	-
Capital redemption reserve	578,218	367,226	578,218	367,226	399,283	253,585
Retained earnings	608,967	386,755	632,999	402,018	⁽⁵⁾ 632,684	⁽⁵⁾ 401,818
Other reserves ⁽⁴⁾	(133,617)	(84,860)	(133,617)	(84,860)	(133,617)	(84,860)
Total equity / NA	1,250,596	794,254	1,250,596	794,254	1,250,281	794,053
No. of Shares ('000) (excluding treasury shares)	2,695,482	2,695,482	673,870	673,870	1,347,740	1,347,740
NA per Share (RMB/RM)	0.46	0.29	1.86	1.18	0.93	0.59
Borrowings (RMB'000/RM'000)	10,000	6,351	10,000	6,351	10,000	6,351
Gearing (times)	⁽⁶⁾ -	⁽⁶⁾ -	⁽⁶⁾ -	⁽⁶⁾ -	⁽⁶⁾ -	⁽⁶⁾ -

Notes:-

(1) After adjusting for the following:-

- (i) the consolidation of every 4 ordinary shares of USD0.01 each in the authorised and issued share capital of the Company into 1 ordinary share of USD0.04, which was completed on 18 May 2017; and
- (ii) the expiry of all 362,998,424 XDL warrants 2014/2017 (“Warrants B”) on 20 January 2017.

(2) After taking into consideration the issuance of 673,870,288 new Shares arising from the Proposed Bonus Issue.

(3) Excluding 250 Shares held as treasury shares as at the LPD.

(4) Other reserves include treasury shares, statutory surplus reserve, merger deficit and exchange translation reserve.

(5) After taking into account the estimated expenses in relation to the Proposed Bonus Issue amounting to RM200,000.

(6) Negligible.

Maximum Scenario

Group level	Audited as at 31 December 2016		(I) After subsequent events ⁽¹⁾		(II) After (I) and assuming full exercise of the outstanding Warrants C ⁽²⁾		(III) After (II) and the Proposed Bonus Issue ⁽³⁾	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital ⁽⁴⁾	157,909	100,288	157,909	100,288	216,408	137,441	453,842	288,235
Share premium	15,087	9,582	15,087	9,582	15,087	9,582	15,087	9,582
Warrant reserve	24,032	15,263	-	-	-	-	-	-
Capital redemption reserve	578,218	367,226	578,218	367,226	578,218	367,226	340,784	216,432
Retained earnings	608,967	386,755	632,999	402,018	632,999	402,018	⁽⁶⁾ 632,684	⁽⁶⁾ 401,818
Other reserves ⁽⁵⁾	(133,617)	(84,860)	(133,617)	(84,860)	(133,617)	(84,860)	(133,617)	(84,860)
Total equity / NA	1,250,596	794,254	1,250,596	794,254	1,309,095	831,406	1,308,780	831,206
No. of Shares ('000) (excluding treasury shares)	2,695,482	2,695,482	673,870	673,870	894,179	894,179	1,788,358	1,788,358
NA per Share (RMB/RM)	0.46	0.29	1.86	1.18	1.46	0.93	0.73	0.46
Borrowings (RMB'000/RM'000)	10,000	6,351	10,000	6,351	10,000	6,351	10,000	6,351
Gearing (times)	(7)-	(7)-	(7)-	(7)-	(7)-	(7)-	(7)-	(7)-

Notes:-

- (1) After adjusting for the following:-
 (i) the consolidation of every 4 ordinary shares of USD0.01 each in the authorised and issued share capital of the Company into 1 ordinary share of USD0.04, which was completed on 18 May 2017; and
 (ii) the expiry of all 362,998,424 Warrants B on 20 January 2017.
- (2) Assuming all the 220,309,112 outstanding Warrants C as at the LPD are fully exercised into new Shares prior to the Entitlement Date.
- (3) After taking into consideration the issuance 894,179,400 new Shares arising from the Proposed Bonus Issue.
- (4) Excluding 250 Shares held as treasury shares as at the LPD.
- (5) Other reserves include treasury shares, statutory surplus reserve, merger deficit and exchange translation reserve.
- (6) After taking into account the estimated expenses in relation to the Proposed Bonus Issue amounting to RM200,000.
- (7) Negligible.

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4.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Bonus Issue on the substantial shareholders' shareholdings are as follows:-

Minimum Scenario

Substantial shareholders	As at the LPD				After the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No of Shares	(1)%	No of Shares	(1)%	No of Shares	(2)%	No of Shares	(2)%
HongPeng	225,000,000	33.39	-	-	450,000,000	33.39	-	-
Ding PengPeng	-	-	⁽³⁾ 225,000,000	⁽³⁾ 33.39	-	-	⁽³⁾ 450,000,000	⁽³⁾ 33.39

Notes:-

- (1) Based on the issued and paid-up share capital of the Company comprising 673,870,288 XDL Shares (excluding 250 Shares held as treasury shares).
- (2) Based on the enlarged issued and paid-up share capital of the Company comprising 1,347,740,576 XDL Shares (excluding 250 Shares held as treasury shares).
- (3) Deemed interest by virtue of his interest in HongPeng.

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Maximum Scenario

Substantial shareholders	As at the LPD				(I) Assuming full exercise of the outstanding Warrants C				(II) After (I) and the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽³⁾ %	No. of Shares	⁽³⁾ %
HongPeng	225,000,000	33.39	-	-	225,000,000	25.16	-	-	450,000,000	25.16	-	-
Ding PengPeng	-	-	⁽⁴⁾ 225,000,000	⁽⁴⁾ 33.39	-	-	⁽⁴⁾ 225,000,000	⁽⁴⁾ 25.16	-	-	⁽⁴⁾ 450,000,000	⁽⁴⁾ 25.16

Notes:-

- (1) Based on the issued and paid-up share capital of the Company comprising 673,870,288 XDL Shares (excluding 250 Shares held as treasury shares).
- (2) Based on the enlarged issued and paid-up share capital of the Company comprising 894,179,400 XDL Shares (excluding 250 Shares held as treasury shares).
- (3) Based on the enlarged issued and paid-up share capital of the Company comprising 1,788,358,800 XDL Shares (excluding 250 Shares held as treasury shares).
- (4) Deemed interest by virtue of his interest in HongPeng.

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4.4 Earnings and earnings per Share (“EPS”)

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

4.5 Convertible securities

Save for the 220,309,112 outstanding Warrants C, the Company does not have any other outstanding convertible securities as at the LPD.

Consequential to the Proposed Bonus Issue, the exercise price and/or number of outstanding Warrants C may be adjusted in accordance with the provisions of the deed poll constituting the Warrants C to ensure that the status of the holders of Warrants C is not prejudiced as a result of the Proposed Bonus Issue.

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

5. TENTATIVE TIMELINE

The Proposed Bonus Issue is expected to be completed by the first quarter of 2018.

6. APPROVALS REQUIRED

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

- (i) the approval of Bursa Securities for the following:-
 - (a) listing and quotation of up to 894,179,400 Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market of Bursa Securities;
 - (b) listing and quotation of up to 220,309,112 additional Warrants C to be issued pursuant to adjustments arising from the Proposed Bonus Issue on the Main Market of Bursa Securities; and
 - (c) listing and quotation of up to 220,309,112 new Shares to be issued arising from the exercise of the additional Warrants C on the Main Market of Bursa Securities.
- (ii) the Shareholders at a Special General Meeting to be convened for the Proposed Bonus Issue.

7. INTER-CONDITIONALITY

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

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

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

9. DIRECTORS' STATEMENT

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

10. APPLICATION TO THE AUTHORITIES

The corresponding application in relation to the Proposed Bonus Issue will be submitted to Bursa Securities on even date.

11. ADVISER

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

This announcement is dated 15 November 2017.