

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

PROPOSED BONUS ISSUE OF WARRANTS

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:RM0.6047 and USD1:RM4.195 as at 21 November 2018, 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**→) wishes to announce that the Company proposes to undertake a bonus issue of 902,441,557 free warrants in XDL (%**Warrants D**→) on the basis of 1 Warrant D for every 2 existing ordinary shares of USD0.04 each in XDL (%**XDL Shares**+ or %**Shares**→) held by registered holders of the Shares (%**Shareholders**→) on an entitlement date to be determined and announced later by the Board (%**Entitlement Date**→) (%**Entitled Shareholders**→) (%**Proposed Bonus Issue of Warrants**→).

Further details on the Proposed Bonus Issue of Warrants are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED BONUS ISSUE OF WARRANTS

2.1 Basis and number of Warrants D to be issued

The Proposed Bonus Issue of Warrants is to be implemented on the basis of 1 Warrant D for every 2 existing Shares held by Entitled Shareholders on the Entitlement Date.

As at the LPD, the issued and paid-up share capital of the Company is USD72,195,324.56 comprising 1,804,883,114 Shares (excluding 250 Shares held as treasury shares). Based on the foregoing, the Proposed Bonus Issue of Warrants entails the issuance of 902,441,557 Warrants D.

In conjunction with the Proposed Bonus Issue of Warrants, 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 of Warrants. 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 of Warrants.

Fractional entitlements of the Warrants D arising from the Proposed Bonus Issue of Warrants, if any, shall be disregarded and/or shall be dealt with by the Board in such manner on such terms and conditions as the Board in its absolute discretion deems fit or expedient, and in the best interests of the Company.

The Entitlement Date will be determined by the Board and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue of Warrants. The Proposed Bonus Issue of Warrants will not be implemented in stages.

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2.2 Indicative salient terms of the Warrants D

Issuer	: XDL
Issue size	: 902,441,557 Warrants D to be issued pursuant to the Proposed Bonus Issue of Warrants.
Form and denomination	: The Warrants D will be issued in registered form and constituted by a deed poll constituting the Warrants D to be executed by the Company in connection with the Proposed Bonus Issue of Warrants (%Deed Poll D).
Board lot	: For purpose of trading on Bursa Malaysia Securities Berhad (%Bursa Securities), a board lot of Warrants D shall be 100 units of Warrants D, unless otherwise revised by the relevant authorities.
Tenure	: 3 years commencing on and including the date of issuance of the Warrants D.
Exercise Period	: The Warrants D may be exercised at any time within the tenure of the Warrants D, commencing from and including the date of issue of the Warrants D to the close of business at 5.00 p.m. (Malaysian time) on the Market Day immediately preceding the 3rd anniversary of the date of issue of the Warrants D. Any Warrants D not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	: RM0.18 per Warrant D or the RM equivalent of the par value of the Shares based on the middle exchange rate as determined by the BNM at 9.00 am on the exercise date of the Warrant D, whichever is higher, or such price as adjusted under the provision of the Deed Poll D.
Subscription rights	: Each Warrant D shall entitle the holder of the Warrants D to subscribe for 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 D.
Mode of exercise	: The holders of the Warrants D shall pay the aggregate of the Exercise Price payable when exercising their Warrants D to subscribe for new Shares in the Company:- (i) via online payment into a bank account of XDL maintained with a bank operating in Malaysia and provide the payment advice; or (ii) by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia for the aggregate of the Exercise Price payable when exercising their Warrants D to subscribe for new Shares in the Company. The payment of such fee must be made in RM.

Adjustments to the Exercise Price and/or the number of the Warrants D	<p>: The Exercise Price and/or the number of outstanding Warrants D in issue shall be adjusted by the Board in consultation with an approved adviser appointed by the Company or the auditors of the Company in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants D in accordance with the provisions of the Deed Poll D.</p> <p>Any adjustment to the Exercise Price will be rounded up to the nearest 1 Sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares into shares of a larger par value) involve an increase in the Exercise Price or result in the Exercise Price falling below the par value of the ordinary shares of the Company for the time being.</p>
Rights of the holders of Warrants D	<p>: The Warrants D do not confer on their holders any voting rights or participate in any forms of distribution and/or offer of further securities in the Company until and unless the holders of such Warrants D have exercised their Warrants D to subscribe for new Shares in accordance with the provisions of the Deed Poll D and such new Shares have been allotted and issued to such holders.</p>
Ranking of the new Shares to be issued pursuant to the exercise of the Warrants D	<p>: The new Shares to be issued pursuant to the exercise of the Warrants D in accordance with the provisions of the Warrants D shall, upon allotment, issue and payment of the Exercise Price, rank <i>pari passu</i> in all respects with the then existing issued and fully paid-up Shares, save and except that they 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 such new Shares arising from the exercise of the Warrants D.</p>
Modification of rights of Warrant D holder	<p>: Save as otherwise provided in the Deed Poll D, a special resolution of the Warrants D holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant D holders.</p>
Modification of the Deed Poll D	<p>: The Company may, from time to time, without the consent or sanction of the holders of the Warrants D but subject to the prior approval of any relevant authorities and in accordance with the provisions of the Deed Poll D, modify the Deed Poll D, if such amendments or additions are required to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws of Malaysia, Rules of Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or the Bursa Securities Main Market Listing Requirements or in the opinion of the Company, will not be materially prejudicial to the interests of the Warrant D holders.</p> <p>Any modification to the terms and conditions of the Deed Poll D may, subject to the approval of any relevant authorities, be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll D.</p>

Rights of the Warrant D holders in the event of winding-up, compromise and/or arrangement	<p>: Where a resolution has been passed for a membersqvoluntary 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 1 or more companies, then:-</p> <p>(i) 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 D, or some person designated by them for such purpose by special resolution of the holders of Warrants D, shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants D; and</p> <p>(ii) in any other cases, every Warrants D holder shall be entitled to exercise his / her Warrants D at any time within 6 weeks after the passing of such resolution for a membersqvoluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the Warrant D holder credited as fully paid subject to the prevailing laws, and such Warrant D holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if he / she had on such date been the holder of the new Shares to which he / she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants D shall lapse and cease to be valid for any purpose.</p>
Listing status	<p>: Approval will be sought from Bursa Securities for the admission of the Warrants D to the official list of the Main Market of Bursa Securities (Official List) and the listing and quotation of the Warrants D and new Shares to be issued arising from the exercise of Warrants D on the Main Market of Bursa Securities.</p> <p>The listing and quotation of the Warrants D on the Main Market of Bursa Securities is subject to a minimum of 100 holders of Warrants D.</p>
Transferability	<p>: The Warrants D shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 of Malaysia and the rules of Bursa Malaysia Depository Sdn Bhd.</p>
Governing Law	<p>: The Warrants D and the Deed Poll D shall be governed by the laws of Malaysia.</p>

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2.3 Basis and justification for the issue price and Exercise Price

The Warrants D will be issued at no cost to the Entitled Shareholders.

The Board has fixed the Exercise Price of the Warrants D at RM0.18 per Warrant D (or the RM equivalent of the par value of the Shares on the exercise date of the Warrant D based on the middle exchange rate as determined by BNM at 9.00 am, whichever is higher).

The Exercise Price of RM0.18 per Warrant D represents a premium of 27.39% to the theoretical ex-all price of XDL Shares of RM0.1413, calculated based on the 5-day volume-weighted average market price of XDL Shares up to and including the LPD of RM0.1220 and the entitlement basis of 1 Warrant D for every 2 existing Shares held.

The Board in determining the Exercise Price has taken into consideration, *inter-alia*, the following:-

- (i) the par value of the Shares of USD0.04 each;
- (ii) the prevailing market conditions and market price of the Shares;
- (iii) the Warrants D being exercisable at any time within a 3-year period from the date of issue of the Warrants D; and
- (iv) the Warrants D are issued at no cost.

2.4 Listing and quotation of the Warrants D and new Shares pursuant to the exercise of the Warrants D

An application will be made to Bursa Securities for the admission of the Warrants D to the Official List as well as for the listing and quotation of the Warrants D and new Shares to be issued arising from the exercise of the Warrants D on the Main Market of Bursa Securities.

2.5 Ranking of the Warrants D and the new Shares to be issued arising from the exercise of the Warrants D

The holders of the Warrants D are not recognised as Shareholders and are not entitled to any dividends, rights, allotments and/or other distributions until and unless such holders have exercised their Warrants D into new XDL Shares.

The new XDL Shares to be issued pursuant to the exercise of the Warrants D shall, upon allotment, issue and payment of the Exercise Price, rank *pari passu* in all respects with the then existing issued and paid-up Shares, save and except that they 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 precedes the date of allotment and issuance of the new Shares arising from the exercise of the Warrants D.

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2.6 Utilisation of proceeds

The Proposed Bonus Issue of Warrants will not raise any immediate funds for XDL as the Warrants D will be issued at no cost to the Entitled Shareholders. However, the exact quantum of proceeds that may be received by the Company upon the exercise of the Warrants D would depend on the Exercise Price and actual number of Warrants D exercised during the tenure of the Warrants D.

Strictly for illustrative purposes, assuming full exercise of 902,441,557 Warrants D at the Exercise Price of RM0.18 per Warrant D, the proceeds to be raised by the Company is approximately RM162.4 million. Such proceeds are intended to be used as working capital to finance the Company's day-to-day operations, including the purchase of raw materials, defrayment of operational and administrative expenses as well as payment of salaries. The proceeds to be utilised for each component of working capital are subject to the operating requirements at the time of utilisation and the timeframe for full utilisation cannot be determined at this juncture.

3. RATIONALE FOR THE PROPOSED BONUS ISSUE OF WARRANTS

The Proposed Bonus Issue of Warrants is an appropriate avenue for rewarding the existing Shareholders after taking into consideration the following rationale:-

- (i) to reward the Shareholders for their continuous support by enabling them to participate in convertible securities of the Company which are tradable on the Main Market of Bursa Securities, without incurring any cost;
- (ii) to provide the Shareholders with an opportunity to increase their equity participation in the Company at a predetermined exercise price during the tenure of the Warrants D, and to allow Shareholders to further participate in the future growth of the Company when the Warrants D are exercised; and
- (iii) to provide the Company with additional working capital as and when the Warrants D are exercised during the tenure of the Warrants D. The exercise of the Warrants D will allow the Company to obtain proceeds without incurring interest expenses as compared to bank borrowings.

4. EFFECTS OF THE PROPOSED BONUS ISSUE OF WARRANTS

4.1 Issued and paid-up share capital

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

	No of Shares	Share capital (USD)	Share capital (RM)
Issued and paid-up share capital ⁽¹⁾ as at the LPD	1,804,883,114	72,195,324.56	302,859,386.53
To be issued assuming full exercise of the Warrants D	902,441,557	36,097,662.28	151,429,693.26
Enlarged issued and paid-up share capital⁽¹⁾	2,707,324,671	108,292,986.84	454,289,079.79

Note:-

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

4.2 Net assets (“NA”) and gearing

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

Group level	Audited as at 31 December 2017		(I) After subsequent events ⁽¹⁾		(II) After (I) and the Proposed Bonus Issue of Warrants		(IV) After (III) and assuming full exercise of the Warrants D ⁽²⁾	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital ⁽³⁾	157,909	95,488	452,654	273,720	452,654	273,720	703,075	425,150
Share premium	15,087	9,123	-	-	-	-	-	-
Capital redemption reserve	578,218	349,648	417,225	252,296	417,225	252,296	417,225	252,296
Retained earnings	647,401	391,483	647,523	391,557	⁽⁵⁾ 646,944	391,207	665,151	402,217
Other reserves ⁽⁴⁾	(131,432)	(79,477)	(131,432)	(79,477)	(131,432)	(79,477)	(131,432)	(79,477)
Total equity / NA	1,267,183	766,265	1,385,970	838,096	1,385,391	837,746	1,654,019	1,000,186
No. of Shares (±00) (excluding treasury shares)	673,870	673,870	1,804,883	1,804,883	1,804,883	1,804,883	2,707,325	2,707,325
NA per Share (RMB/RM)	1.88	1.14	0.77	0.46	0.77	0.46	0.61	0.37
Borrowings (RMB±00/RM±00)	5,000	3,024	5,000	3,024	5,000	3,024	5,000	3,024
Gearing (times)	(6)_	(6)_	(6)_	(6)_	(6)_	(6)_	(6)_	(6)_

Notes:-

(1) After adjusting for the following:-

- (i) the issuance of 676,153,620 new Shares arising from the bonus issue of up to 894,179,400 bonus Shares on the basis of 1 bonus Share for every 1 existing Share held by the entitled Shareholders, which was completed on 11 January 2018;
- (ii) the issuance of 391,809,206 new Shares arising from the exercise of XDL warrants 2015/2018 during its exercise period from 4 January 2018 up to its expiry date on 2 July 2018;
- (iii) a total of 63,050,000 options granted under XDL's existing employees' share option scheme (“ESOS”) (“Options”) that were granted to eligible employees on 20 July 2018; and
- (iv) the issuance of 63,050,000 Shares at an issue price of RM0.165 per Share on 24 August 2018 pursuant to the exercise of 63,050,000 Options.

(2) Based on the issuance of 902,441,557 new Shares arising from the full exercise of the Warrants D.

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

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

(5) After taking into account the estimated expenses in relation to the Proposed Bonus Issue of Warrants amounting to RM350,000.

(6) Negligible.

4.3 Substantial Shareholders' shareholdings

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

Substantial Shareholders	As at the LPD				Assuming full exercise of the Warrants D			
	Direct		Indirect		Direct		Indirect	
	No of Shares	(1)%	No of Shares	(1)%	No of Shares	(2)%	No of Shares	(2)%
HongPeng International Holdings Limited	450,000,000	24.93	-	-	675,000,000	24.93	-	-
Ding PengPeng	-	-	(3)450,000,000	(3)24.93	-	-	(3)675,000,000	(3)24.93
Hong Kong HongSheng Investment Company Limited	168,070,382	9.31	-	-	252,105,573	9.31	-	-

Notes:-

- (1) Based on the issued and paid-up share capital of the Company comprising 1,804,883,114 XDL Shares (excluding 250 Shares held as treasury shares) as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital of the Company comprising 2,707,324,671 XDL Shares (excluding 250 Shares held as treasury shares).
- (3) Deemed interested by virtue of his interest in HongPeng International Holdings Limited.

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4.4 Earnings and earnings per Share (“EPS”)

The Proposed Bonus Issue of Warrants is not expected to have an impact on the consolidated earnings and EPS of XDL save for the dilution in the EPS as a result of the increase in the number of Shares pursuant to the exercise of Warrants D.

The potential effect of the exercise of the Warrants D on the future earnings and EPS of XDL will depend upon, amongst others, the number of Shares issued pursuant to the number of Warrants D exercised at any point in time and the potential benefits to be derived from the utilisation of the proceeds.

Although the EPS shall be correspondingly diluted as a result of the increase in number of Shares in issue pursuant to the exercise of the Warrants D, the Proposed Bonus Issue of Warrants is expected to contribute positively to the Company's consolidated earnings thereafter through the utilisation of proceeds from the exercise of the Warrants D for future working capital purposes.

4.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities in issue.

5. APPROVALS REQUIRED AND CONDITIONALITY

5.1 Approvals required

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

- (i) the approval of Bursa Securities for the following:-
 - (a) admission of the Warrants D to the Official List of Bursa Securities; and
 - (b) listing and quotation of the Warrants D and the new Shares to be issued pursuant to the exercise of the Warrants D on the Main Market of Bursa Securities; and
- (ii) the approval of the Shareholders at a special general meeting to be convened for the Proposed Bonus Issue of Warrants.

5.2 Conditionality

The Proposed Bonus Issue of Warrants is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

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

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

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7. BOARD'S RECOMMENDATION

The Board, having considered all aspects of the Proposed Bonus Issue of Warrants, is of the opinion that the Proposed Bonus Issue of Warrants is in the best interest of the Company and its Shareholders as a whole.

8. APPLICATION TO THE AUTHORITIES

The application in relation to the Proposed Bonus Issue of Warrants will be submitted to Bursa Securities within 1 week from the date of the announcement.

9. ESTIMATED TIME FRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposed Bonus Issue of Warrants is expected to be completed by the first quarter of 2019.

10. ADVISER

Mercury Securities has been appointed by the Company to act as the Principal Adviser in relation to the Proposed Bonus Issue of Warrants.

This announcement is dated 3 December 2018.