

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

### **PROPOSED PAR VALUE REDUCTION VIA CANCELLATION OF USD0.02 OF THE PAR VALUE OF EVERY ISSUED AND UNISSUED SHARE OF XDL OF USD0.03 PURSUANT TO SECTIONS 45 AND 46 OF THE COMPANIES ACT 1981 OF BERMUDA (“PROPOSED PAR VALUE REDUCTION”)**

---

*In this announcement, the definition of “Share(s)” or “XDL Share(s)” may refer to ordinary shares of the Company with par value of USD0.03 each prior to completion of the Proposed Par Value Reduction or ordinary shares of the Company with par value of USD0.01 after completion of the Proposed Par Value Reduction, as the context so requires.*

*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:RM0.6002 and USD1:RM3.8970 as at 22 April 2016, 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 par value reduction via cancellation of USD0.02 of the par value of every existing issued and unissued share of XDL of USD0.03 pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda (“**Bermuda Companies Act**”) effective on such date as may be determined by the directors of the Company (“**Directors**”) (“**Effective Date**”) (“**Proposed Par Value Reduction**”).

#### **2. DETAILS OF THE PROPOSED PAR VALUE REDUCTION**

As at 26 April 2016, being the market day prior to this announcement, the closing share price of XDL Shares was RM0.055 (or approximately USD0.014), which is at a discount of approximately 53% to the existing par value of USD0.03 each (or approximately RM0.117).

XDL is an exempted company<sup>(1)</sup> incorporated in Bermuda and is subject to the Bermuda Companies Act. Under Bermuda law, shares of a Bermuda company shall not be issued for a consideration that is below its par value. This restricts the Company from issuing Shares at a price that is approximate to its prevailing share price, as the prevailing share price of the Company is below its par value.

Note:-

(1) *Bermuda law distinguishes between ‘local companies’ (which are companies owned predominantly by Bermudians) and ‘exempted companies’ (which are companies owned predominantly by non-Bermudians). Only local companies are permitted to carry on and compete for business in Bermuda. Exempted companies may be resident in Bermuda and carry on business from Bermuda in connection with transactions and activities which are external to Bermuda or with other exempted companies.*

Following the completion of the Proposed Par Value Reduction, the par value of each XDL Share will reduce to USD0.01 (or approximately RM0.039) while the reference share price of XDL Shares is not expected to be affected. Hence, the Proposed Par Value Reduction will ease the Company in issuing new XDL Shares at or above its revised par value of USD0.01 per XDL Share, while the Proposed Par Value Reduction in itself is not expected to have any effect on the net asset value of the Company. Further details on the rationale for the Proposed Par Value Reduction are set out in Section 3 of this announcement.

As at the LPD, the authorised share capital of the Company is USD300,000,000 divided into 10,000,000,000 Shares of USD0.03 par value each, out of which 2,695,478,822 Shares (including 1,000 Shares held as treasury shares) of USD0.03 par value have been issued and fully paid-up. As at the LPD, 1,000 Shares are held as treasury shares.

The Directors propose to undertake the following corporate actions, all to take effect on the Effective Date:-

- (i) a reduction of the issued and paid-up share capital of the Company from USD80,864,364.66 to USD26,954,788.22 by cancelling the issued and paid-up share capital of the Company to the extent of USD0.02 on each of the existing issued and paid-up Shares (including 1,000 Shares held as treasury shares) of USD0.03 par value so that each issued Share of USD0.03 par value shall be treated as a fully paid-up Share of USD0.01 par value as at the 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 USD0.03 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 USD300,000,000.00 by USD273,045,211.78 representing the amount of Shares so cancelled and, forthwith upon such cancellation, the authorised share capital of the Company be increased to USD300,000,000.00 by the creation of 27,304,521,178 Shares of USD0.01 par value each (representing the difference between 30,000,000,000 Shares and the number of Shares of USD0.01 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 to be utilised in such manner as may be determined by the Board and permitted by applicable laws

(paragraphs (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 USD0.03 to USD0.01;
- (ii) the authorised share capital of the Company will remain intact at USD300,000,000 but will be divided into 30,000,000,000 Shares of par value of USD0.01 each; and
- (iii) the total number of issued and paid-up Shares (including treasury shares) will remain intact at 2,695,478,822 Shares, but will comprise Shares of USD0.01 par value each.

The Proposed Par Value Reduction 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**").

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

Upon completion of the Proposed Par Value Reduction, holders of warrants 2014 / 2017 of the Company ("**Warrants B**") and/or warrants 2015 / 2018 of the Company ("**Warrants C**") who exercise their warrants will be receiving Shares of USD0.01 par value each as opposed to Shares of USD0.03 par value each.

### **3. RATIONALE FOR THE PROPOSED PAR VALUE REDUCTION**

As stated in Section 2 of this announcement, XDL is prohibited under Bermuda law to issue shares for a consideration that is below its par value. Hence, the current par value of XDL Shares is not conducive for XDL to issue any equity or equity-related securities.

Following the above, the Proposed Par Value Reduction is undertaken to reduce the par value of each XDL Share (without affecting its reference share price) to a level where it would be conducive for XDL to issue new XDL Shares. This is pertinent as XDL Shares are currently trading at a price that is below the current par value of XDL Shares. The Proposed Par Value Reduction will ease the Company in issuing new XDL Shares at or above its revised par value of USD0.01 per XDL Share.

As illustrated in Section 4 of this announcement, the credit arising from the Proposed Par Value Reduction of RMB350.03 million (or RM210.09 million) will be transferred to XDL's contributed surplus account. This contributed surplus may increase the distributable reserves of XDL, thereby allowing greater flexibility in making distributions to Shareholders in the future, in such manner as may be determined by the Board and as permitted by applicable laws. It may also be utilised to set-off against accumulated losses of XDL in the future, if any.

Notwithstanding the foregoing, the Board wishes to highlight that it does not intend to utilise the credit arising from the Proposed Par Value Reduction for the purpose of any bonus issue exercises in the future. In this regard, the capitalisation for any future bonus issue exercises will be from XDL's then available share premium and retained earnings.

In undertaking the Proposed Par Value Reduction, the Group has also taken into consideration that the Proposed Par Value Reduction would not result in any change to its net assets ("**NA**") position and any adjustment to the value and number of Shares held by each Shareholder.

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

#### 4. EFFECTS OF THE PROPOSED PAR VALUE REDUCTION

##### 4.1 Issued and paid-up share capital

Minimum Scenario : Assuming none of the outstanding Warrants B and Warrants C are exercised after the Effective Date

Maximum Scenario : Assuming all the outstanding Warrants B and Warrants C are exercised after the Effective Date

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

	Minimum Scenario			Maximum Scenario			Par value USD
	No of Shares '000	Share capital USD'000	Share capital RM'000	No of Shares '000	Share capital USD'000	Share capital RM'000	
Issued and paid-up share capital <sup>(1)</sup> as at the LPD	2,695,479	80,864	315,775	2,695,479	80,864	315,775	0.03
Proposed Par Value Reduction	-	(53,910)	(210,517)	-	(53,910)	(210,517)	(0.02)
Issued and paid-up share capital after the Proposed Par Value Reduction	2,695,479	26,955	105,258	2,695,479	26,955	105,258	0.01
Assuming full exercise of outstanding Warrants B	-	-	-	362,998	3,630	14,175	0.01
Assuming full exercise of outstanding Warrants C	-	-	-	881,240	8,812	34,412	0.01
<b>Enlarged issued and paid-up share capital</b>	<b>2,695,479</b>	<b>26,955</b>	<b>105,258</b>	<b>3,939,717</b>	<b>39,397</b>	<b>153,846</b>	<b>0.01</b>

Note:-

(1) Inclusive of 1,000 treasury shares.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

## 4.2 NA and gearing

The pro-forma 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 2015		(I) After subsequent events <sup>(1)</sup>		(II) After the Proposed Par Value Reduction		(III) After (I), (II) and assuming full exercise of the Warrants B and Warrants C <sup>(2)</sup>	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	246,681	148,058	512,584	307,653	162,558	97,567	243,344	146,055
Reserves <sup>(3)</sup>	996,981	598,388	731,078	438,793	<sup>(4)</sup> 1,080,687	<sup>(4)</sup> 648,629	1,165,981	699,822
<b>Total equity / NA</b>	<b>1,243,662</b>	<b>746,446</b>	<b>1,243,662</b>	<b>746,446</b>	<b>1,243,245</b>	<b>746,196</b>	<b>1,409,325</b>	<b>845,877</b>
No. of Shares ('000) (excluding treasury shares)	1,347,740	1,347,740	2,695,479	2,695,479	2,695,479	2,695,479	3,939,717	3,939,717
NA per Share (RMB/RM)	0.92	0.55	0.46	0.28	0.46	0.28	0.36	0.21
Borrowings (RMB'000/RM'000)	10,000	6,002	10,000	6,002	10,000	6,002	10,000	6,002
Gearing (times)	<sup>(5)</sup> _	<sup>(5)</sup> _	<sup>(5)</sup> _	<sup>(5)</sup> _	<sup>(5)</sup> _	<sup>(5)</sup> _	<sup>(5)</sup> _	<sup>(5)</sup> _

Notes:-

- (1) After taking into consideration the effects of the bonus issue of 1,347,738,911 XDL Shares which was completed on 28 January 2016 ("**Bonus Issue**").
- (2) Assuming all the 362,998,424 outstanding Warrants B and 881,239,780 outstanding Warrants C as at the LPD are fully exercised into new Shares prior to their respective expiry dates.
- (3) Reserves include capital reserve, retained profits and other reserves.
- (4) Including estimated expenses in relation to the Proposed Par Value Reduction amounting to RM250,000.
- (5) Negligible.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

#### **4.3 Substantial Shareholders' shareholdings**

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

#### **4.4 Earnings and earnings per share ("EPS")**

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

#### **4.5 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 Existing convertible securities**

As at the LPD, there are 362,998,424 outstanding Warrants B and 881,239,780 outstanding Warrants C in the Company.

The exercise price and/or number of outstanding Warrants B and Warrants C may be adjusted pursuant to the implementation of the Proposed Par Value Reduction. Such adjustments, if any, will only be finalised after the completion of the Proposed Par Value Reduction and will be carried out in accordance with the provisions of the deed poll dated 9 December 2013 constituting the Warrants B and the deed poll dated 17 June 2015 constituting the Warrants C.

Save for the outstanding Warrants B and Warrants C, the Company does not have any other outstanding convertible securities as at the LPD.

### **5. TENTATIVE TIMELINE**

The Board expects the Proposed Par Value Reduction to be completed by the second quarter of 2016.

### **6. APPROVALS REQUIRED**

Under Sections 45 and 46 of the Bermuda Companies Act, no approval from any Bermuda authorities is required for the Proposed Par Value Reduction.

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

- (i) the Shareholders at a special general meeting of the Company to be convened; 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 undertaken or to be undertaken by the Company.

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

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

**9. DIRECTORS' STATEMENT**

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

**10. ADVISER**

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

This announcement is dated 27 April 2016.