

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

### PROPOSED SHARE CONSOLIDATION

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*(In this announcement, the definition of “Share(s)” or “XDL Share(s)” may refer to ordinary shares of the Company with par value of USD0.01 each in the share capital of XDL prior to the Proposed Share Consolidation (as defined herein) or ordinary shares of the Company with par value of USD0.04 each in the share capital of XDL after completion of the Proposed Share Consolidation (as defined herein), as the case may be.)*

*For illustrative purposes and unless stated otherwise, all RM figures in this announcement were translated based on Bank Negara Malaysia’s exchange rate of RMB1:RM0.6424 and USD1:RM4.4285 as at 21 March 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**”) wishes to announce that the Company proposes to undertake a proposed consolidation of every four (4) ordinary shares of USD0.01 each in XDL into one (1) ordinary share of USD0.04 (“**Proposed Share Consolidation**”).

#### 2. DETAILS OF THE PROPOSED SHARE CONSOLIDATION

XDL is proposing to undertake the Proposed Share Consolidation involving the consolidation of every four (4) XDL Shares of par value USD0.01 each in the authorised and issued capital of XDL as at 5.00 p.m. on a date to be determined by the Board in their absolute discretion as they deem fit and announced later, in which the shareholders of the Company (“**Shareholders**”) who are registered in the Company’s Record of Depositors are entitled to the XDL Shares of par value USD0.04 each after the Proposed Share Consolidation (“**Consolidated Shares**”) under the Proposed Share Consolidation (“**Books Closure Date**”) into one (1) XDL Share of par value USD0.04 each.

As at the LPD, the authorised share capital of the Company is USD300,000,000.00 divided into 30,000,000,000 Shares of USD0.01 par value each, out of which 2,695,482,154 Shares (including 1,000 Shares held as treasury shares) of USD0.01 par value each have been issued and fully paid-up.

For illustration purposes, the 2,695,482,154 issued and paid up XDL Shares (inclusive of 1,000 Shares held as treasury shares) of par value USD0.01 each then outstanding (assuming none of the outstanding XDL warrants 2015/2018 (“**Warrants C**”) are exercised into new Shares) will be consolidated into 673,870,538 issued and paid-up Consolidated Shares (inclusive of 250 Consolidated Shares held as treasury shares) pursuant to the Proposed Share Consolidation.

The actual number of Consolidated Shares to be issued pursuant to the Proposed Share Consolidation will be determined after taking into consideration any new XDL Shares that may be issued pursuant to the exercise of any outstanding Warrants C and based on the issued and paid-up share capital of the Company at the Books Closure Date.

The Proposed Share Consolidation will result in an adjustment to the reference share price of XDL Shares listed and quoted on the Official List of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). For illustration purposes, based on the last transacted market price of XDL Shares as at the LPD of RM0.035, the adjusted share capital and theoretical adjusted reference share price of Consolidated Shares upon completion of the Proposed Share Consolidation is as follows:-

	No. of issued Shares	Par value	Issued share capital		Market / theoretical adjusted reference price per Share	(1)Total value
	'000	USD	USD'000	RM'000	RM	RM'000
As at the LPD	2,695,482	0.01	26,955	119,369	0.035 <i>(Last transacted market price as at the LPD)</i>	94,342
After the Proposed Share Consolidation	673,871	0.04	26,955	119,369	(2)0.140 <i>(Theoretical adjusted reference share price)</i>	94,342

Notes:-

(1) The total value was arrived at by multiplying the number of issued Shares with the market / theoretical adjusted reference price per Share.

(2) The theoretical adjusted reference share price is arrived at based on the following formula:-

$$\begin{aligned}
 \text{Theoretical adjusted reference share price} &= \text{Market price per Share as at the LPD (RM)} \times \frac{\text{Number of Shares as at the LPD ('000)}}{\text{Number of Shares after the Proposed Share Consolidation ('000)}} \\
 &= 0.035 \times \frac{2,695,482}{673,871} \\
 &= 0.140
 \end{aligned}$$

Following the above, the illustration based on shareholdings of 1,000 Shares is as follows:-

	Assumed no. of Shares	Par value	Issued share capital		Market / theoretical adjusted reference price per Share	(1)Total value
		USD	USD	RM	RM	RM
As at the LPD	1,000	0.01	10.00	44.285	0.035 <i>(Last transacted market price as at the LPD)</i>	35
After the Proposed Share Consolidation	250	0.04	10.00	44.285	(2)0.140 <i>(Theoretical adjusted reference share price)</i>	35

Notes:-

(1) The total value was arrived at by multiplying the number of Shares with the market / theoretical adjusted reference price per Share.

(2) The theoretical adjusted reference share price is arrived at based on the following formula:-

$$\begin{aligned}
 \text{Theoretical adjusted reference share price} &= \text{Market price per Share as at the LPD (RM)} \times \frac{\text{Number of Shares as at the LPD}}{\text{Number of Shares after the Proposed Share Consolidation}} \\
 &= 0.035 \times \frac{1,000}{250} \\
 &= 0.140
 \end{aligned}$$

The Proposed Share Consolidation will also result in an adjustment to the reference price of existing Warrants C. For illustration purposes, based on the last transacted market price of Warrants C as at the LPD of RM0.010, the theoretical adjusted reference price of Warrants C upon completion of the Proposed Share Consolidation is as follows:-

	No. of Warrants C	Market / theoretical adjusted reference price per Warrant C	<sup>(1)</sup> Total value
	'000	RM	RM'000
As at the LPD	881,236	0.010 <i>(Last transacted market price as at the LPD)</i>	8,812
After the Proposed Share Consolidation	220,309	<sup>(2)</sup> 0.040 <i>(Theoretical adjusted reference price)</i>	8,812

Notes:-

- (1) The total value was arrived at by multiplying the number of Warrants C with the market / theoretical adjusted reference price per Warrant C.
- (2) The theoretical adjusted reference price is arrived at based on the following formula:-

$$\begin{aligned}
 \text{Theoretical adjusted reference price} &= \text{Market price per Warrant C (RM)} \times \frac{\text{Number of Warrants C as at the LPD ('000)}}{\text{Number of Warrants C after the Proposed Share Consolidation ('000)}} \\
 &= 0.010 \times \frac{881,236}{220,309} \\
 &= 0.040
 \end{aligned}$$

Based on the above illustration, the Proposed Share Consolidation will increase the reference share price per XDL Share and Warrants C but it will not have any impact on the total market value of these securities held by Shareholders or holders of Warrants C respectively.

Fractional entitlements arising from the Proposed Share Consolidation shall be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interests of the Company.

## 2.1 Ranking of the Consolidated Shares

The Consolidated Shares shall rank *pari passu* in all respects with one another.

## 2.2 Suspension of trading of XDL Shares

There will not be any suspension of trading of XDL Shares on Bursa Securities pursuant to the Proposed Share Consolidation.

## 2.3 Listing date and notices of allotment

The Consolidated Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Books Closure Date.

The notices of allotment for the Consolidated Shares will be issued and despatched to the entitled Shareholders within four (4) market days after the listing and quotation of the Consolidated Shares on the Main Market of Bursa Securities, or such other period as may be prescribed by Bursa Securities.

### **3. RATIONALE FOR THE PROPOSED SHARE CONSOLIDATION**

As at the LPD, the last traded price of the Shares is RM0.035 and the Company has 2,695,482,154 Shares in issue. Following the completion of the Proposed Share Consolidation, the nominal value of each Share will increase by four (4) times and the total number of Shares in issue will be reduced by the corresponding ratio. Consolidating the Shares would lead to a reduction in the number of Shares available in the market and could potentially reduce the trading volatility of the Shares.

As the Company has a large number of Shares in issue and a relatively low trading price range, the Board noted that a small movement in the Share price of the Company may result in high percentage movement in the Share price. The Proposed Share Consolidation is expected to bring about a corresponding upward adjustment in the trading price of the Shares. This is expected to enhance its corporate image and will encourage investors to view the Shares as a long term investment rather than a "penny stock" prone to speculative pressures.

Shareholders should note that the Proposed Share Consolidation is not expected to alter the value of the Consolidated Shares held by them. Further, as the Proposed Share Consolidation would lead to a reduction in the number of Shares available in the market, the Company will also benefit from easier management of smaller number of Shares.

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#### 4. EFFECTS OF THE PROPOSED SHARE CONSOLIDATION

Minimum Scenario : Assuming none of the outstanding Warrants C are exercised prior to the Proposed Share Consolidation

Maximum Scenario : Assuming all the outstanding Warrants C are exercised prior to the Proposed Share Consolidation

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

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

	Minimum Scenario			Maximum Scenario			Par value (USD)
	No of Shares	Share capital (USD)	Share capital (RM)	No of Shares	Share capital (USD)	Share capital (RM)	
Issued and paid-up share capital <sup>(1)</sup> as at the LPD	2,695,482,154	26,954,821.54	119,369,427.19	2,695,482,154	26,954,821.54	119,369,427.19	0.01
Assuming full exercise of outstanding Warrants C	-	-	-	881,236,448	8,812,364.48	39,025,556.10	0.01
Enlarged issued and paid-up share capital	2,695,482,154	26,954,821.54	119,369,427.19	3,576,718,602	35,767,186.02	158,394,983.29	0.01
<b>Issued and paid-up share capital<sup>(2)</sup> after the Proposed Share Consolidation</b>	<b>673,870,538</b>	<b>26,954,821.52</b>	<b>119,369,427.10</b>	<b>894,179,650</b>	<b>35,767,186.00</b>	<b>158,394,983.20</b>	<b>0.04</b>

Notes:-

(1) Inclusive of 1,000 Shares held as treasury shares as at the LPD.

(2) Inclusive of 250 Shares held as treasury shares after the Proposed Share Consolidation.

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## 4.2 Net assets (“NA”) and gearing

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

### Minimum Scenario

Group level	Audited as at 31 December 2015		(I) After subsequent events <sup>(1)</sup>		(II) After (I) and the Proposed Share Consolidation	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	246,681	158,468	157,909	101,441	157,909	101,441
Reserves <sup>(2)</sup>	996,981	640,460	1,085,753	697,487	<sup>(3)</sup> 1,085,286	<sup>(3)</sup> 697,187
<b>Total equity / NA</b>	<b>1,243,662</b>	<b>798,928</b>	<b>1,243,662</b>	<b>798,928</b>	<b>1,243,195</b>	<b>798,628</b>
No. of Shares ('000) (excluding treasury shares)	1,347,739	1,347,739	2,695,481	2,695,481	673,870	673,870
NA per Share (RMB/RM)	0.92	0.59	0.46	0.30	1.84	1.19
Borrowings (RMB'000/RM'000)	10,000	6,424	10,000	6,424	10,000	6,424
Gearing (times)	(4)-	(4)-	(4)-	(4)-	(4)-	(4)-

#### Notes:-

(1) After adjusting for the following:-

- (i) the bonus issue of 1,347,738,911 XDL Shares which was completed on 28 January 2016 (“**Bonus Issue**”). The effects of the Bonus Issue are based on the exchange rates of RMB1:RM0.6397 and USD1:RM4.2070 as at 28 January 2016;
- (ii) the par value reduction of XDL Shares from USD0.03 to USD0.01 which was undertaken by the Company and completed on 23 June 2016. The effects of this par value reduction exercise are based on the exchange rates of RMB1:RM0.6108 and USD1:RM4.0185 as at 23 June 2016;
- (iii) the issuance of 3,332 new XDL Shares pursuant to the exercise of 3,332 Warrants C at an exercise price of RM0.04 each since 1 January 2016 up to the LPD; and
- (iv) the expiry of all the 362,998,424 XDL warrants 2014/2017 issued by the Company pursuant to a deed poll dated 9 December 2013 constituting XDL warrants 2014/2017 (as varied and amended by a supplemental deed poll dated 27 April 2016) (“**Warrants B**”) on 20 January 2017.

(2) Reserves include capital reserve, retained profits and other reserves.

(3) Including estimated expenses in relation to the Proposed Share Consolidation amounting to RM300,000.

(4) Negligible.

## Maximum Scenario

Group level	Audited as at 31 December 2015		(I) After subsequent events <sup>(1)</sup>		(II) Assuming full exercise of outstanding Warrants C		(IV) After (III) and the Proposed Share Consolidation	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	246,681	158,468	157,909	101,441	218,659	140,466	218,659	140,466
Reserves <sup>(2)</sup>	996,981	640,460	1,085,753	697,487	1,079,875	693,712	<sup>(3)</sup> 1,079,408	<sup>(3)</sup> 693,412
<b>Total equity / NA</b>	<b>1,243,662</b>	<b>798,928</b>	<b>1,243,662</b>	<b>798,928</b>	<b>1,298,534</b>	<b>834,178</b>	<b>1,298,067</b>	<b>833,878</b>
No. of Shares (‘000) (excluding treasury shares)	1,347,739	1,347,739	2,695,481	2,695,481	3,576,718	3,576,718	894,179	894,179
NA per Share (RMB/RM)	0.92	0.59	0.46	0.30	0.36	0.23	1.45	0.93
Borrowings (RMB'000/RM'000)	10,000	6,424	10,000	6,424	10,000	6,424	10,000	6,424
Gearing (times)	(4)-	(4)-	(4)-	(4)-	(4)-	(4)-	(4)-	(4)-

### Notes:-

(1) After adjusting for the following:-

- (i) the Bonus Issue. The effects of the Bonus Issue are based on the exchange rates of RMB1:RM0.6397 and USD1:RM4.2070 as at 28 January 2016;
- (ii) the par value reduction of XDL Shares from USD0.03 to USD0.01 which was undertaken by the Company and completed on 23 June 2016. The effects of this par value reduction exercise are based on the exchange rates of RMB1:RM0.6108 and USD1:RM4.0185 as at 23 June 2016;
- (iii) the issuance of 3,332 new XDL Shares pursuant to the exercise of 3,332 Warrants C at an exercise price of RM0.04 each since 1 January 2016 up to the LPD; and
- (iv) the expiry of all the 362,998,424 Warrants B on 20 January 2017.

(2) Reserves include capital reserve, retained profits and other reserves.

(3) Including estimated expenses in relation to the Proposed Share Consolidation amounting to RM300,000.

(4) Negligible.

### 4.3 Substantial Shareholders' shareholdings

The Proposed Share Consolidation will not have any effect on the percentage of the substantial Shareholders' shareholdings in the Company. However, the number of Shares held by the substantial Shareholders in the Company will reduce proportionately as a result of the Proposed Share Consolidation as follows:-

#### Minimum Scenario

Substantial Shareholders	As at the LPD				After the Proposed Share Consolidation			
	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>
HongPeng International Holdings Limited ("HongPeng")	900,000,000	33.39	-	-	225,000,000	33.39	-	-
Ding PengPeng	-	-	<sup>(3)</sup> 900,000,000	<sup>(3)</sup> 33.39	-	-	<sup>(3)</sup> 225,000,000	<sup>(3)</sup> 33.39

#### Notes:-

- (1) Based on the issued and paid-up share capital of the Company comprising 2,695,481,154 XDL Shares as at the LPD (after excluding 1,000 Shares held as treasury shares as at the LPD).
- (2) Based on the issued and paid-up share capital of the Company comprising 673,870,288 XDL Shares after the Proposed Share Consolidation (after excluding 250 Shares held as treasury shares after the Proposed Share Consolidation).
- (3) Deemed interested by virtue of his interest in HongPeng.

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**Maximum Scenario**

Substantial Shareholders	As at the LPD				(I) Assuming full exercise of outstanding Warrants C				(II) After (I) and the Proposed Share Consolidation			
	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	900,000,000	33.39	-	-	<sup>(5)</sup> 1,199,999,998	33.55	-	-	299,999,999	33.55	-	-
Ding PengPeng	-	-	<sup>(4)</sup> 900,000,000	<sup>(4)</sup> 33.39	-	-	<sup>(4)(5)</sup> 1,199,999,998	<sup>(4)</sup> 33.55	-	-	<sup>(4)</sup> 299,999,999	<sup>(4)</sup> 33.55

**Notes:-**

- (1) Based on the issued and paid-up share capital of the Company comprising 2,695,481,154 XDL Shares as at the LPD (after excluding 1,000 Shares held as treasury shares as at the LPD).
- (2) Based on the enlarged issued and paid-up share capital of the Company comprising 3,576,717,602 XDL Shares after taking into consideration the issuance of 881,236,448 new Shares arising from the full exercise of the Warrants C (after excluding 1,000 Shares held as treasury shares as at the LPD).
- (3) Based on the issued and paid-up share capital of the Company comprising 894,179,400 XDL Shares after the Proposed Share Consolidation (after excluding 250 Shares held as treasury shares after the Proposed Share Consolidation).
- (4) Deemed interested by virtue of his interest in HongPeng.
- (5) The 299,999,998 Warrants C held by HongPeng as at the LPD are assumed to be fully exercised.

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#### **4.4 Earnings and earnings per Share (“EPS”)**

The Proposed Share Consolidation will not have any effect on the consolidated earnings of the Group for the financial year ended 31 December 2016. However, the lower number of Consolidated Shares in issue upon completion of the Proposed Share Consolidation will result in a corresponding increase in the EPS of the Group.

#### **4.5 Dividend**

The Proposed Share Consolidation 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**

Save for the 881,236,448 outstanding Warrants C, the Company does not have any other outstanding convertible securities as at the LPD.

Consequential to the Proposed Share Consolidation, the exercise price and/or number of Warrants C which are not exercised prior to the Books Closure Date will be adjusted in accordance with the provisions of the deed poll dated 17 June 2015 (as varied and amended by a supplemental deed poll dated 27 April 2016) constituting the Warrants C to ensure that the status of the holders of Warrants C is not prejudiced as a result of the Proposed Share Consolidation.

Such adjustments will only be finalised on the Books Closure Date and will be effective on the next market day after both the Books Closure Date.

The rights and obligations of the holders of the existing Warrants C will remain unchanged, save for the aforesaid adjustments. The holders of the existing Warrants C will be officially notified in due course on the effective adjustments arising from the Proposed Share Consolidation.

### **5. TENTATIVE TIMELINE**

Subject to all relevant approvals being obtained, the Proposed Share Consolidation is expected to be completed by the second quarter of 2017.

### **6. APPROVALS REQUIRED**

Under Section 45 of the Companies Act 1981 of Bermuda, no approval from any Bermuda authorities is required for the Proposed Share Consolidation.

The Proposed Share Consolidation is conditional upon the following approvals being obtained from:-

- (i) Bursa Securities for the Proposed Share Consolidation; and
- (ii) Shareholders at a special general meeting of the Company to be convened for the Proposed Share Consolidation.

### **7. INTER-CONDITIONALITY**

The Proposed Share Consolidation 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 with them have any interest, direct and/or indirect, in the Proposed Share Consolidation, save for their respective entitlements as Shareholders, if any, under the Proposed Share Consolidation, which are also available to all other Shareholders.

**9. DIRECTORS' STATEMENT**

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

**10. APPLICATION TO THE AUTHORITIES**

The corresponding application in relation to the Proposed Share Consolidation will be submitted within one (1) week from the date of this announcement.

**11. ADVISER**

Mercury Securities has been appointed by the Company to act as the Principal Adviser in relation to the Proposed Share Consolidation.

This announcement is dated 31 March 2017.