



ANNUAL REPORT 2015





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NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya, Malaysia on Thursday, 16 June 2016 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business:-

1. To receive the Audited Financial Statements of the Company and of the Group and the Reports of the Directors and the Auditors thereon for the financial year ended 31 December 2015. *(Please refer to Explanatory Note 1)*
2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. *(Ordinary Resolution 1)*
3. To re-elect the following Directors who retire pursuant to Bye-Law 86 of the Company's Bye-Laws:
 - 3.1 Ding LiHong *(Ordinary Resolution 2)*
 - 3.2 Woon Yeow Thong *(Ordinary Resolution 3)*
 - 3.3 Lin YingYu *(Ordinary Resolution 4)*
4. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. *(Ordinary Resolution 5)*

As Special Business:-

To consider and if thought fit, to pass the following Ordinary/Special Resolution(s), with or without modifications:-

5. **Proposed Renewal of Authority for Xidelang Holdings Ltd to Purchase its own Shares Pursuant to the Prevailing Laws, Main Market Listing Requirements and Bye-Laws ("Proposed Renewal of Share Buy-Back Authority")** *(Ordinary Resolution 6)*

"THAT subject always to the provisions of the Bye-Laws of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of USD0.03 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and share premium; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

Notice of the Seventh Annual General Meeting _ Cont'd

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting (“AGM”) at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to the Bye-Laws and the Prevailing Laws; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Bermuda Companies Act, 1981, the provisions of the Bye-Laws of the Company and the requirements and/or guidelines of Main Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities.”

6. Authority to Issue Shares

(Ordinary Resolution 7)

“THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to the Company’s Bye-law 12 to issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, PROVIDED THAT the aggregate number of new ordinary shares to be issued during the preceding 12 months pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company and that such authority shall unless revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting commence upon the passing of this resolution until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution.”

Notice of the Seventh Annual General Meeting _ Cont'd

7. Proposed Amendment to Bye-Laws of the Company

(Special Resolution)

“THAT the proposed amendment to the Bye-Laws of the Company as set out in Appendix A of the Annual Report of the Company be and is hereby approved AND THAT the Directors of the Company be and are hereby authorised to do all things and acts necessary to effect the amendment to the Bye-Laws of the Company.”

8. Other Matter

To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company’s Bye-Laws and Bermuda Companies Act, 1981.

BY ORDER OF THE BOARD
XIDELANG HOLDINGS LTD

Secretarius Services Sdn Bhd
Codan Services Limited
Company Secretaries

Kuala Lumpur
29 April 2016

Notice of the Seventh Annual General Meeting _ Cont'd

Notes:-

- i. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- ii. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 of Malaysia, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
- iii. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- iv. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of an office, attorney or other person duly authorised to sign the same.
- v. The instrument appointing a proxy must be deposited at the Company’s registered office in Malaysia i.e. Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting i.e. on or before 10.00 a.m., Tuesday, 14 June 2016 or any adjournment thereof.
- vi. Only members whose names appear in the Record of Depositors as at 10 June 2016 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.

Explanatory Notes:-

1. Item 1 of the Agenda

The Agenda item is meant for discussion only as the provision of Section 84 of the Bermuda Companies Act, 1981 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 5 of the Agenda – Ordinary Resolution 6

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the retained earnings and/or share premium of the Company. Please refer to the Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Authority attached in the Annual Report 2015 of the Company for further details.

3. Item 6 of the Agenda – Ordinary Resolution 7

The proposed resolution is primarily to give flexibility to the Board of Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Sixth Annual General Meeting held on 17 June 2015 and which will lapse at the conclusion of the Seventh Annual General Meeting.

The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital, acquisition and/or for issuance of shares as settlement of purchase consideration.

4. Item 7 of the Agenda – Special Resolution

The proposed Special Resolution, if passed, will give authority to amend the Bye-Laws of the Company to be aligned with the Main Market Listing Requirements of Bursa Securities.

APPENDIX A

PROPOSED AMENDMENT TO BYE-LAWS OF THE COMPANY

The Company proposes to amend the Bye-Law of the Company in the following manner (for which differences are strikethrough and highlighted in bold below under the columns “Existing Bye-Law” and “Amended Bye-Law” respectively):

BYE-LAW	EXISTING BYE-LAW	AMENDED BYE-LAW
150 (1)	<p>Subject to Section 87A of the Act, a copy of the financial statements which is to be laid before a general meeting of the Company, made up to the end of the applicable financial year and including every document and all information as required by the Act and the Listing Requirements (“Financial Statements”), together with a copy of the Directors’ and Auditors’ report, shall be issued not more than four (4) months from the close of a financial year (or such other period as may be prescribed or permitted by the Designated Stock Exchange) and a copy of each such documents shall be sent to each person entitled thereto (the “Entitled Persons”) at least twenty one (21) days before the date of the general meeting provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.</p>	<p>The Company shall issue a copy of the financial statements of the Company, which is to be laid before a general meeting of the Company, made up to the end of the applicable financial year, and including every document and all information as required by the Act and the Listing Requirements (“Financial Statements”), together with a copy of the Directors’ and Auditors’ report, to each person entitled thereto (the “Entitled Persons”) in accordance with the provisions or requirements under the Act or these Bye-Laws or Listing Requirement of the Designated Stock Exchange provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.</p>

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PROPOSED RE-ELECTION/ RE-APPOINTMENT OF DIRECTORS

Details of the Directors standing for re-election/ re-appointment are set out in the section – “Profile of the Board of Directors” of this Annual Report.

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

Definitions

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

“AGM”	:	Annual General Meeting of XiDeLang Holdings Ltd (“XiDeLang”)
“Board”	:	The Board of Directors of XiDeLang
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (635998-W)
“CEO”	:	Chief Executive Officer
“China or PRC”	:	The Peoples’ Republic of China
“Code”	:	Malaysian Code on Take-Overs and Mergers 2010, as amended from time to time
“CMSA”	:	Capital Markets and Services Act 2007 of Malaysia
“Director(s)”	:	Has the meaning given in Section 2(1) of the CMSA
“EPS”	:	Earnings per share
“ESOS”	:	Employees’ Share Option Scheme of up to 15% of the issued and paid-up share capital of XiDeLang
“Exercise of ESOS”	:	Exercise of ESOS option
“HongPeng International”	:	HongPeng International Holdings Ltd (British Virgin Island Company No.: 1526675), incorporated in British Virgin Island
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time
“LPD”	:	14 April 2016, being the latest practicable date prior to the printing of this Statement
“Major Shareholder”	:	A person who has an interest or interests in one or more voting shares in a company and the nominal amount of the share, or the aggregate of the nominal amounts of those shares, is: <ol style="list-style-type: none"> a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.
“NA”	:	Net assets

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

Definitions (Cont'd)

“Prevailing Laws”	:	Bermuda Companies Act, 1981, Malaysian Companies Act, 1965 and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities including but not limited to the Listing Requirements
“Proposed Renewal of Share Buy-Back Authority”	:	Proposed renewal of existing authority for XiDeLang to carry out the Proposed Share Buy-Back
“Proposed Share Buy-Back”	:	Proposed authority for the Company to purchase its own shares up to 10% of its issued and paid-up share capital
“Purchased Shares”	:	Shares purchased pursuant to the Proposed Share Buy-Back
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“RMB” and “RMB cents”	:	PRC Renminbi and cents respectively
“Share(s)”	:	Ordinary share(s) of USD0.03 each in the capital of XiDeLang
“US”	:	United States of America
“USD” and “US cents”	:	US Dollar and cents respectively
“Warrants 2014”	:	Warrants issued by the Company on 23 January 2014 and are expiring on 22 January 2017, constituted by the Deed Poll dated 9 December 2013
“Warrants 2015”	:	Warrants issued by the Company on 3 July 2015 and are expiring on 2 July 2018, constituted by the Deed Poll dated 17 June 2015
“XiDeLang” or “Company”	:	XiDeLang Holdings Ltd <i>(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)</i> <i>(Company No. 43136)</i>
“XiDeLang Group” or “Group”	:	XiDeLang and its subsidiary companies as defined in Section 86 of the Bermuda Companies Act, 1981.

Words incorporate the singular shall, where applicable, include the plural and vice versa and words incorporate the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Statement shall be a reference to Malaysian time, unless otherwise stated.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

1. INTRODUCTION

The Board had, during the Company's Sixth AGM held on 17 June 2015 obtained the approval of its shareholders to purchase up to 10% of the Company's total issued and paid-up share capital as at the point of purchase. In accordance with the Listing Requirements governing the purchase of own shares by a listed company, the aforesaid approval will continue in force until the conclusion of the Company's forthcoming AGM which will be held on Thursday, 16 June 2016 at 10.00 a.m..

In connection thereto, the Company had on 8 April 2016 announced its intention to seek the shareholders' approval for the Proposed Renewal of Share Buy-Back Authority at the forthcoming AGM of the Company.

The purpose of this Statement is to provide shareholders with the details of the Proposed Renewal of Share Buy-Back Authority and to seek the shareholders' approval for the ordinary resolution pertaining thereto to be tabled at the forthcoming AGM. Notice of the AGM and the Form of Proxy are enclosed in this Annual Report.

SHAREHOLDERS OF XIDELANG ARE ADVISED TO READ THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

2.1 Details of the Proposed Renewal of Share Buy-Back Authority

The Board proposes to seek approval from the shareholders for a renewal of authorisation to enable XiDeLang to purchase up to 10% of the issued and paid-up share capital of the Company quoted on the Main Market of Bursa Securities as at the point of purchase.

The Proposed Renewal of Share Buy-Back Authority shall be effective upon the passing of the ordinary resolution in the forthcoming AGM until:

- a) the conclusion of the next AGM of the Company at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to the Bye-Laws and the Prevailing Laws; or
- c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first.

The shareholders' approval for the Proposed Renewal of Share Buy-Back Authority does not impose an obligation on the Company to purchase its own Shares. However, it will further allow the Board to exercise the power of the Company to purchase its own Shares at any time within the abovementioned time period.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.2 Quantum

The maximum aggregate number of Shares, which may be purchased by the Company and/or hold as treasury shares shall not exceed 10% of the total issued and paid-up share capital of the Company at the point of purchase.

If the existing Warrants 2014, Warrants 2015 and ESOS are exercised during the validity period, the maximum number of shares that can be purchased and/or hold may change from time to time during the validity period of the authority as detailed in Section 2.11 of this Statement, depending on XiDeLang enlarged issued and paid-up share capital at the time of purchase of its own Shares.

The actual number of Shares to be purchased will depend on market conditions and sentiments of Bursa Securities as well as the retained profits, share premium and financial resources available to the Company at the time of the purchase.

As at 14 April 2016, the issued and paid-up share capital of XiDeLang is USD80,864,364.66 comprising 2,695,478,822 ordinary shares of USD0.03 each (including 1,000 treasury shares and assuming the 1,000 treasury shares are resold in the market). The Proposed Renewal of Share Buy-Back Authority will enable XiDeLang to purchase up to 269,547,882 Shares (including 1,000 treasury shares and assuming the 1,000 treasury shares are resold in the market), representing up to 10% of the issued and paid-up share capital of XiDeLang.

2.3 Pricing

Pursuant to Paragraph 12.17 of the Listing Requirements, the Company may only purchase its own shares at a price which is not more than 15% above the weighted average market price ("WAMP") of the Shares for the five (5) market days immediately preceding the date of the purchase(s).

According to Paragraph 12.18 of the Listing Requirements, the Company may resell the Purchased Shares held as treasury shares at:

- (i) a price which is not less than the WAMP of the Shares for the five (5) market days immediately prior to the resale(s); or
- (ii) a discounted price of not more than 5% of the WAMP of the Shares for the five (5) market days immediately prior to the resale provided that the resale takes place no earlier than 30 days from the date of purchase and the resale price is not less than the cost of purchase of the Shares being resold.

2.4 Funding

The maximum amount of funds to be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority shall not exceed the retained profits and/or share premium account of the Company.

Based on the latest audited financial statements of XiDeLang as at 31 December 2015, the Company's audited retained earnings and share premium account stood at RMB52,968,000 (equivalent to RM31,791,393.60#) and RMB15,087,000 (equivalent to RM9,055,217.40#) respectively.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.4 Funding (Cont'd)

The funding for the Proposed Renewal of Share Buy-Back Authority will be made from internally generated funds of the Company and/or borrowings. The actual amount of borrowings will depend on the financial resources available at the time of purchase(s). The Proposed Renewal of Share Buy-Back Authority will reduce the cash flows of the Company by an amount equivalent to the purchase price of XiDeLang Shares and the actual number of XiDeLang Shares bought-back. Therefore, the Company will ensure that sufficient funds are available to effect the Proposed Renewal of Share Buy-Back Authority.

There is no restriction on the type of funds which may be utilised for the Proposed Renewal of Share Buy-Back Authority so long as it is backed by an equivalent amount of retained earnings and/or share premium account of the Company. In the event that the Company intends to purchase its own shares using bank borrowings, the Board shall ensure that the Company shall have sufficient funds to repay the bank borrowings and interest expense and that the repayment would not have any material effect on the cash flows of the Company.

Note

Based on the exchange rate as at the LPD i.e. RMB1 : RM0.6002

2.5 Ranking and Treatment of Purchased Shares

Pursuant to the Prevailing Laws, the Directors of the Company may deal with the Purchased Shares in the following manners:

- i. cancel the Purchased Shares; or
- ii. retain the Purchased Shares as treasury shares held by the Company; or
- iii. retain part of the Purchased Shares as treasury shares and/or cancel the remainder.

The Purchased Shares held as treasury shares may be distributed as share dividends to the shareholders of XiDeLang and/or resold on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or subsequently cancelled.

It is the present intention of the Board to retain the Purchased Shares as treasury shares and subsequently resell them on Bursa Securities if the opportunity arises for the Company to realise gains from the resale on Bursa Securities. However, the Board may distribute the Purchased Shares as share dividends, which will depend on the availability of, amongst others, retained profits, share premium and tax credits of the Company, or cancel the Purchased Shares if the Board decides to change the capital structure of the Company.

While the Purchased Shares are held as treasury shares, the rights attached to these Shares as to voting, dividends and participation in other distribution or otherwise, will be suspended and the treasury shares shall not be taken into account in calculating the number or percentage of Shares, or of a class of Shares in the Company for any purpose including major shareholdings, takeovers, notices, requisitioning of meetings, quorum for a meeting and the results of votes on resolutions at a meeting.

2.6 Public Shareholding Spread

The Proposed Renewal of Share Buy-Back Authority will be carried out in accordance with the Prevailing Laws at the time of the purchase including compliance with 25% public shareholding spread as required under Paragraph 8.02(1) of the Listing Requirements.

The public shareholding spread of the Company as at the LPD was 66.61%. The Company will endeavour to ensure that the Proposed Renewal of Share Buy-Back Authority will not breach Paragraph 12.14 of the Listing Requirements, which states that a listed company must not purchase its own Shares on Bursa Securities if the purchase(s) will result in the listed company being in breach of Paragraph 8.02(1) of the Listing Requirements.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.7 Potential Advantages and Disadvantages

The potential advantages of the Proposed Renewal of Share Buy-Back Authority to the Company and its shareholders are as follows:

- (i) Allow the Company to take preventive measures against speculations, particularly when its shares are undervalued which would in turn stabilise the market price of Shares and hence, enhance investors' confidence;
- (ii) Allow the Company the flexibility in attaining its desired capital structure in terms of the debt and equity composition and the size of equity; and
- (iii) If the treasury shares are distributed as dividends by the Company, it may then serve to reward the shareholders of the Company.

The potential disadvantages of the Proposed Renewal of Share Buy-Back Authority to the Company and its shareholders are as follows:

- (i) The Proposed Renewal of Share Buy-Back Authority will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities that may emerge in the future; and
- (ii) As the Proposed Renewal of Share Buy-Back Authority can only be made out of the retained profits and share premium account of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Proposed Renewal of Share Buy-Back Authority is not expected to have any potential material disadvantages to the Company and its shareholders, as any share buy-back will be undertaken only after in-depth consideration of the financial resources of XiDeLang and the resultant impact on its shareholders. The Board, in exercising any decision in implementing the Proposed Share Buy-Back, will be mindful of the interests of the Company and its shareholders.

2.8 Purchase, Resale and/or Cancellation of Treasury Shares Made During the Financial Year Ended 31 December 2015

The Company did not purchase, resell and/or cancel any treasury shares during the financial year ended 31 December 2015.

2.9 Implication of the Code

Pursuant to Practice Note 9 of the Code, in the event the Proposed Share Buy-Back results in any major shareholder and/or persons acting in concert with him/her:

- (a) holding more than thirty-three per centum (33%) of the voting shares or voting rights in the Company, the affected major shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining XiDeLang Shares not held by him/her; or
- (b) who already holds more than thirty-three per centum (33%) but not more than fifty per centum (50%) of the voting shares or voting rights in XiDeLang, increases his/her holding of the voting shares or voting rights of the Company by more than two per centum (2%) in any six (6) months period, the affected major shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining XiDeLang Shares not held by him/her.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.9 Implication of the Code (Cont'd)

The direct shareholding of HongPeng International as at 14 April 2016 (being the last practicable date prior to the printing of this Statement) is approximately 33.39% of the issued and paid-up share capital of XiDeLang. In the event that the Proposed Share Buy-Back of up to approximately 10% is carried out in full and the shares purchased are cancelled, the shareholding of HongPeng International would increase to approximately 37.10% of the issued and paid-up share capital of the Company if the number of Shares held by HongPeng International remain unchanged. Pursuant to the Code, HongPeng International will be obliged to undertake a mandatory general offer for the remaining XiDeLang Shares not already held. HongPeng International is expected to make an application to Securities Commission Malaysia for waiver from implementing a mandatory general offer as required by the Code before triggering the obligation for mandatory general offer.

The Board is aware and will be mindful of the implications of the Code when making any purchase of XiDeLang Shares pursuant to the Proposed Renewal of Share Buy-Back Authority.

2.10 Rationale for the Proposed Renewal of Share Buy-Back Authority

The procurement of the shareholders' approval for the Proposed Renewal of Share Buy-Back Authority would enable the Company to purchase Shares when appropriate and at prices which the Board views favourable.

The Proposed Renewal of Share Buy-Back Authority may enable the Company to utilise any of its surplus financial resources to purchase its own shares from the market. It may stabilise the supply and demand of Shares traded on the Main Market of Bursa Securities and thereby support its fundamental value.

The Proposed Renewal of Share Buy-Back Authority, if exercised, will enhance the EPS of XiDeLang Group as a result of a lower number of shares being taken into account for the purpose of computing the EPS, if the Purchased Shares are held as treasury shares or cancelled, which in turn is expected to have a positive impact on the market price of the Shares.

XiDeLang may utilise the treasury shares as future dividend pay-out to XiDeLang shareholders and/or for resale in the market should opportunities arise in the future.

2.11 Financial Effect of the Proposed Renewal of Share Buy-Back Authority

The pro forma effects of the Proposed Renewal of Share Buy-Back Authority are based on the following assumptions:

(i) Minimum Scenario

Assuming that none of the outstanding Warrants 2014 and Warrants 2015 of the Company as at the LPD are exercised into new Shares and none of the ESOS options of the Company, which are exercisable as at the LPD, are exercised into new Shares, prior to the Company purchasing its own shares representing approximately ten percent (10%) of its issued and paid-up share capital and such Shares purchased are cancelled or alternatively be retained as treasury shares or both.

(ii) Maximum Scenario

Assuming that all of the outstanding Warrants 2014 and Warrants 2015 of the Company as at the LPD are exercised into new Shares and all the ESOS options of the Company, which are exercisable as at the LPD, are exercised into new Shares, prior to the Company purchasing its own shares representing approximately ten percent (10%) of its issued and paid-up share capital and such Shares purchased are cancelled or alternatively be retained as treasury shares or both.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.11 Financial Effect of the Proposed Renewal of Share Buy-Back Authority (Cont'd)

(a) Issued and Paid-Up Share Capital

In the event that the Proposed Renewal of Share Buy-Back Authority is implemented in full and all the Shares purchased are subsequently cancelled, the pro forma effects of the Proposed Renewal of Share Buy-Back Authority on the issued and paid-up share capital of the Company as at the LPD are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of shares	USD	No. of shares	USD
Issued and paid-up share capital as at the LPD	2,695,478,822 [^]	80,864,364.66	2,695,478,822 [^]	80,864,364.66
To be issued upon the exercise of all Warrants 2014 outstanding as at the LPD	–	–	362,998,424 ^(a)	10,889,952.72
To be issued upon the exercise of all Warrants 2015 outstanding as at the LPD	–	–	881,239,780 ^(b)	26,437,193.40
	2,695,478,822	80,864,364.66	3,939,717,026	118,191,510.78
To be issued upon the exercise of ESOS as at the LPD	–	–	590,957,554 ^(c)	17,728,726.62
	2,695,478,822	80,864,364.66	4,530,674,580	135,920,237.40
Maximum number of the Company's Shares that may be purchased pursuant to the Proposed Renewal of Share Buy-Back Authority	(269,547,882)	(8,086,436.46)	(453,067,458)	(13,592,023.74)
	2,425,930,940	72,777,928.20	4,077,607,122	122,328,213.66

Note

[^] Including a total of 1,000 treasury shares held by the Company as at the LPD.

(a) Total number of shares resulting from the exercise and conversion of Warrants 2014.

(b) Total number of shares resulting from the exercise and conversion of Warrants 2015.

(c) Total number of shares resulting from the exercise of ESOS to the full extent allowable.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.11 Financial Effect of the Proposed Renewal of Share Buy-Back Authority (Cont'd)

(a) Issued and Paid-Up Share Capital (Cont'd)

However, in the event that all the Shares bought back are retained as treasury shares, resold or distributed as share dividends to shareholders, the Proposed Renewal of Share Buy-Back Authority will not have any effect on the issued and paid-up share capital of XiDeLang.

(b) NA

The effect of the Proposed Renewal of Share Buy-Back Authority on the consolidated NA of XiDeLang Group will depend on the purchase price of the XiDeLang Shares, the number of Shares purchased, the effective funding cost of XiDeLang Group to finance the share buy-back, if any, or loss in interest income to the Group, and whether the Purchased Shares are cancelled, retained as treasury shares, resold on Bursa Securities or distributed as share dividends to shareholders.

If all the Purchased Shares are cancelled, the Proposed Renewal of Share Buy-Back Authority would reduce the NA per share of XiDeLang Group if the purchase price of each Purchased Share exceeds the NA per share at the relevant point in time, and vice versa.

The NA of XiDeLang Group would decrease if the Purchased Shares are retained as treasury shares due to the requirement for treasury shares to be carried at cost and to be offset against equity, resulting in a decrease in the NA of XiDeLang Group by the cost of the treasury shares.

If the treasury shares are resold through Bursa Securities, the NA of XiDeLang Group would increase if the Company realises a gain from resale, and vice versa. If the treasury shares are distributed as share dividends, the NA of XiDeLang Group would decrease by the cost of the treasury shares.

(c) Working Capital

The Proposed Renewal of Share Buy-Back Authority is likely to reduce the working capital of XiDeLang, the quantum of which depends on the purchase price and the number of Shares purchased. Nevertheless, the Board is mindful of the interest of XiDeLang and its shareholders in undertaking the Proposed Renewal of Share Buy-Back Authority and will assess the working capital needs of XiDeLang prior to any purchase of Shares.

(d) Earnings and EPS

The effect of the Proposed Renewal of Share Buy-Back Authority on the EPS of XiDeLang Group will depend on the purchase price of the Shares, the number of Shares purchased and the effective funding cost, if any, or any loss in interest income to the Group.

Assuming that the Purchased Shares are retained as treasury shares and subsequently resold, the effects on the EPS of XiDeLang Group will depend on the actual selling price, the number of the treasury shares resold and the effective gain or interest savings arising from the exercise.

If the Purchased Shares are retained as treasury shares or cancelled immediately, the Proposed Renewal of Share Buy-Back Authority will increase the EPS of XiDeLang Group provided that the income foregone and interest expenses incurred on the Purchased Shares is less than the EPS before the share buy-back.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.11 Financial Effect of the Proposed Renewal of Share Buy-Back Authority (Cont'd)

(e) Directors' and Substantial Shareholders' Shareholdings

The following tables illustrate the pro forma effects of the full implementation of the Proposed Renewal of Share Buy-Back Authority on the directors' and substantial shareholders' shareholdings respectively, based on the Registers of Directors' Shareholdings and Substantial Shareholders' Shareholdings as at the LPD:

(i) Minimum Scenario

	Existing shareholdings as at the LPD				Full implementation of the Proposed Renewal of Share Buy-Back Authority			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors</u>								
Ding LiHong ("DLH")	-	-	-	-	-	-	-	-
Ding PengPeng ("DPP") #	-	-	900,000,000	33.39	-	-	900,000,000	37.10
Ding PengWan ("DPW")	-	-	-	-	-	-	-	-
Lin YingYu ("LYY")	-	-	-	-	-	-	-	-
Dato' Mohamed Nazim Bin Abdul Razak ("Dato")	-	-	-	-	-	-	-	-
Zhu GuoHe ("ZGH")	-	-	-	-	-	-	-	-
Wong Yoke Nyen ("WYN")	-	-	-	-	-	-	-	-
Woon Yeow Thong ("WYT")	-	-	-	-	-	-	-	-
<u>Substantial Shareholders</u>								
HongPeng International	900,000,000	33.39	-	-	900,000,000	37.10	-	-
Ding PengPeng ("DPP") #	-	-	900,000,000	33.39	-	-	900,000,000	37.10

Note

Deemed interested by virtue of his substantial shareholdings in HongPeng International.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.11 Financial Effect of the Proposed Renewal of Share Buy-Back Authority (Cont'd)

(e) Directors' and Substantial Shareholders' Shareholdings (Cont'd)

(ii) Maximum Scenario

	Existing shareholdings as at the LPD				(1) Assuming full exercise of the outstanding Warrants 2014				
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest		
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
Directors									
DLH	-	-	-	-	-	-	-	-	
DPP #	-	-	900,000,000	33.39	-	-	900,000,000	29.43	
DPW	-	-	-	-	-	-	-	-	
LYY	-	-	-	-	-	-	-	-	
Dato	-	-	-	-	-	-	-	-	
ZGH	-	-	-	-	-	-	-	-	
WYN	-	-	-	-	-	-	-	-	
WYT	-	-	-	-	-	-	-	-	
Substantial Shareholders									
HongPeng International	900,000,000	33.39	-	-	900,000,000	29.43	-	-	
DPP #	-	-	900,000,000	33.39	-	-	900,000,000	29.43	
(2) After (1) and assuming full exercise of the outstanding Warrants 2015									
(3) After (2) and assuming full exercise of the ESOS									
		Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors									
DLH	-	-	-	-	7,000,000	0.15	-	-	
DPP #	-	-	1,199,999,998	30.46	5,000,000	0.11	1,199,999,998	26.49	
DPW	-	-	-	-	5,000,000	0.11	-	-	
LYY	-	-	-	-	5,000,000	0.11	-	-	
Dato	-	-	-	-	-	-	-	-	
ZGH	-	-	-	-	-	-	-	-	
WYN	-	-	-	-	-	-	-	-	
WYT	-	-	-	-	-	-	-	-	
Substantial Shareholders									
HongPeng International	1,199,999,998	30.46	-	-	1,199,999,998	26.49	-	-	
DPP #	-	-	1,199,999,998	30.46	5,000,000	0.11	1,199,999,998	26.49	

Statement Accompanying Notice of Annual General Meeting _ Cont'd

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2. INFORMATION ON THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONT'D)

2.11 Financial Effect of the Proposed Renewal of Share Buy-Back Authority (Cont'd)

(e) Directors' and Substantial Shareholders' Shareholdings (Cont'd)

(ii) Maximum Scenario (Cont'd)

	(4) After (3) and assuming full implementation of Proposed Renewal of Share Buy-Back Authority			
	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Directors				
DLH	7,000,000	0.17	–	–
DPP #	5,000,000	0.12	1,199,999,998	29.43
DPW	5,000,000	0.12	–	–
LYY	5,000,000	0.12	–	–
Dato	–	–	–	–
ZGH	–	–	–	–
WYN	–	–	–	–
WYT	–	–	–	–
Substantial Shareholders				
HongPeng International	1,199,999,998	29.43	–	–
DPP #	5,000,000	0.12	1,199,999,998	29.43

Note

Deemed interested by virtue of his substantial shareholdings in HongPeng International.

2.12 Interest of Directors, Substantial Shareholders and/or Persons Connected to Them

Save for the proportionate increase in the percentage of shareholdings and voting rights as shareholders of the Company as a consequence of the Proposed Renewal of Share Buy-Back Authority (which all other shareholders of the Company are similarly entitled to), none of the Directors and/or substantial shareholders of XiDeLang and/or persons connected to them, has any interest, direct and indirect, in the Proposed Renewal of Share Buy-Back Authority or resale of treasury shares, if any.

Statement Accompanying Notice of Annual General Meeting _ Cont'd

3. APPROVALS REQUIRED

The Proposed Renewal of Share Buy-Back Authority is subject to the approval being obtained from the shareholders of XiDeLang at the forthcoming AGM to be convened.

4. DIRECTORS' STATEMENT AND RECOMMENDATION

The Directors have considered all aspects of the Proposed Renewal of Share Buy-Back Authority and are of the opinion that the Proposed Renewal of Share Buy-Back Authority is in the best interest of the Company and its shareholders.

Accordingly, the Directors recommend that the shareholders vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the forthcoming AGM to be convened.

5. STATEMENT BY BURSA SECURITIES

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

6. FURTHER INFORMATION

The resolution pertaining to the Proposed Renewal of Share Buy-Back Authority is enclosed in the Notice of the AGM.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ding LiHong

Executive Chairman
Non-Independent Director

Ding PengPeng

Managing Director/Chief Executive Officer
Non-Independent Director

Ding PengWan

Executive Director/Deputy Chief Executive Officer
cum Chief Operating Officer
Non-Independent Director

Lin YingYu

Executive Director
Non-Independent Director

Y. Bhg Dato' Mohamed Nazim Bin Abdul Razak

Deputy Chairman
Independent Non-Executive Director

Zhu GuoHe

Senior Independent Non-Executive Director

Wong Yoke Nyen

Independent Non-Executive Director

Woon Yeow Thong

Independent Non-Executive Director

PRINCIPAL PLACE OF BUSINESS

Head Office & Production Centre

XiDeLang Industrial Park
Neikeng Town
Jinjiang City, Fujian Province
People's Republic of China ("PRC")

Tel: +86 (595) 8677 6888
Fax: +86 (595) 8677 7222
Email: xdl@xidelang.com.cn
Website: www.xidelang.com.my

COMPANY SECRETARIES

Secretarius Services Sdn Bhd

Codan Services Limited
(Assistant Secretary)

AUDITORS

BDO (AF 0206), Malaysia

Chartered Accountants
Level 8, BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

Tel: +603 – 2616 2888
Fax: +603 – 2616 3190

REGISTERED OFFICE IN BERMUDA

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Tel: +1 (441) 295 1422
Fax: +1 (441) 292 4720

REGISTERED OFFICE IN MALAYSIA

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel: +603 – 2783 9191
Fax: +603 – 2783 9111

BERMUDA SHARE REGISTRAR

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Tel: +1 (441) 295 1422
Fax: +1 (441) 292 4720

MALAYSIAN SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

Office
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel: +603 – 2783 9299
Fax: +603 – 2783 9222

Customer Service Center

Unit G-3, Ground Floor,
Vertical Podium, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia

AGENT IN MALAYSIA

PFA Corporate Consultants Sdn. Bhd.

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel: +603 – 2783 9191
Fax: +603 – 2783 9111

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
(中国工商银行)

Fujian Jinjiang Rural Cooperative Bank, PRC
(中国福建晋江农村合作银行)

Bank of Communications, PRC
(中国交通银行)

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name / Code: XDL 5156
ISIN: BMG9828L1072

FINANCIAL HIGHLIGHTS

KEY FINANCIAL RESULTS	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Revenue	1,027,630	947,398	646,200	530,035	544,812
Gross profit	307,114	289,847	171,701	130,751	103,193
Profit before tax	241,982	222,625	137,840	67,208	12,370
Net profit for the financial year	180,794	165,788	103,575	49,579	6,798
OTHER KEY FINANCIAL DATA	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total assets	898,512	1,046,450	1,148,289	1,300,117	1,402,713
Total liabilities	213,911	143,575	166,062	115,258	159,051
Net current assets	264,162	381,771	362,227	571,275	643,469
Net assets / Shareholders' equity	684,601	902,875	982,227	1,184,859	1,243,662
Borrowings	39,900	Nil	10,000	10,000	10,000
KEY FINANCIAL INDICATORS	2011 %	2012 %	2013 %	2014 %	2015 %
Gross profit margin	29.89	30.59	26.57	24.67	18.94
Net profit margin	17.59	17.50	16.03	9.35	1.25
Borrowings-to-Equity	5.83	Nil	1.02	0.84	0.80
	('000 units)	('000 units)	('000 units)	('000 units)	('000 units)
Weighted average ordinary shares in issue ⁽¹⁾	1,642,328	1,791,140	1,814,996	2,264,518	2,510,872
	RMB cent	RMB cent	RMB cent	RMB cent	RMB cent
Basic earnings per share <i>(based on weighted average ordinary shares in issue)</i>	11.008	9.256	5.707	2.189	0.271
Net assets per share <i>(based on weighted average ordinary shares in issue)</i>	41.68	50.41	54.12	52.32	49.53

(1) Weighted average ordinary shares in issue were derived after adjusting for effects of bonus issues.

CORPORATE STRUCTURE



XIDELANG HOLDINGS LTD
(Bermuda)

Investment Holding



AWARDS AND ACCREDITATIONS

Over the years, the Group has received numerous awards and accolades for outstanding achievement as one of the leading players in the sportswear industry of the Peoples' Republic of China ("PRC"). These recognition serve as an inspiration for the Group and our team to uphold quality excellence in our products in line with our commitment to the consumers.

Awards and accreditations	Awarded by
Annual Most Influential Sportswear Brand (2013 - 2014) (2013-2014年度最具影响力品牌)	"shoes.hc360.com" – business-to-business website operated by HC International Inc. listed on Hong Kong Stock Exchange (慧聪网)
Top 10 Influential Sportswear Brand (2012 - 2013) (十佳最具影响力品牌 ~ 2012-2013年度)	"shoes.hc360.com" – business-to-business website operated by HC International Inc. listed on Hong Kong Stock Exchange (慧聪网)
Top 10 Best Sportswear Brand (2012 - 2013) (十佳运动鞋品牌 ~ 2012-2013年度)	"shoes.hc360.com" – business-to-business website operated by HC International Inc. listed on Hong Kong Stock Exchange (慧聪网)
Outstanding Performance Award (十年讯网 - 卓越引领奖)	XunWang Technology, a Fujian-based company who operates several leading business-to-business and business-to-consumer e-commerce websites (福建省讯网网络科技有限公司)
2012 China Sportswear Brand with Most Growth Potential & Customer Satisfaction (2012中国最具成长性、顾客满意度鞋类品牌)	China Leather & Footwear Productivity Promotion Center (国家皮革和制鞋行业生产力促进中心) National Footwear Industry Information Center (全国制鞋工业信息中心)
Top 10 Best Sportswear Brand (十佳运动鞋品牌)	China Leather & Footwear Productivity Promotion Center (国家皮革和制鞋行业生产力促进中心) National Footwear Industry Information Center (全国制鞋工业信息中心)
Recognition – Jinjiang Five Primary Strategic Development Projects in 2013 (2013年度 - 五大战役项目先进企业)	People's Government of Jinjiang City, Fujian Province (晋江市人民政府)
Award for Outstanding Contribution to the Development of West Coast, Fujian Province (闽商建设海西 - 突出贡献奖)	People's Government of Fujian Province (福建省人民政府)
Green Factory - 2012 (绿色厂区)	Green Committee of Jinjiang City (晋江市绿化委员会)

CHAIRMAN'S STATEMENT

Our valued shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present to you the Annual Report and Audited Financial Statements of XiDeLang and its subsidiaries ("the Group") for the financial year ended 31 December 2015.



INDUSTRY OVERVIEW FOR 2015

The economic reforms measures implemented by the Chinese Government to drive domestic demand and urbanisation are generally perceived to be effective in curbing inflation while maintaining the momentum of China's economic growth at a sustainable level. This is evidenced by the steady growth recorded by China for the key economic statistics during the year 2015, as summarised below:

KEY ECONOMIC STATISTICS	YEAR-ON-YEAR GROWTH	
Gross domestic product ("GDP")	+	6.9%
Per capita annual disposable income (real terms, after deducting price factors)		
- National (average)	+	7.4%
- Urban households	+	6.6%
- Rural residents	+	7.5%
Total retail sales of consumer goods (real terms, after deducting price factors)	+	10.6%
Total retail sales of clothing goods (nominal terms)	+	9.8%
Consumer price index ("CPI")	+	1.4%

(Source: National Bureau of Statistics of China, as at 31 December 2015)

Notwithstanding that, the consecutive decline in the Producer Price Index has raised growing concerns that China may face greater downward pressure on economic growth. This, coupled with the stock market turmoil during the financial year under review, have weighed down the market sentiment to certain extent.

After years of consolidation and reformation, the issues of overstocking and mismanagement of retail channels that shadowed the China's sportswear industry have largely been resolved with signs of gradual recovery. Nevertheless, the level of rebound varied across the various sportswear brands, favouring industry players with stronger fundamentals and effective management of brand and distribution network.

During the financial year under review, the industry competition remained intense at large against the backdrop of lacklustre global economy outlook and moderated growth of China's economy. Active penetration and rapid expansion into the China's market by international sportswear brands and fast-fashion brands, shift in the consumers' spending sentiment towards value-for-money rather than fashion/ brand-oriented impulse purchase, and local players stepped up efforts to capture the long-awaited recovery in market demand have deepened the industry competition.

Chairman's Statement _ Cont'd

Notwithstanding the challenging market conditions and operating environment within the China's sportswear industry, our Group has managed to sustain a commendable financial performance during the financial year under review, with revenue stood at approximately RMB544.8 million representing a slight growth of 2.8% as compared to the preceding year.

Our Group continued its uninterrupted profit track record (since listing) during the financial year under review, with net profit for the year stood at RMB6.8 million. Further elaborations on the financial performance of the Group for the financial year under review are included within the "Management Discussion and Analysis" section of this Annual Report.

INDUSTRY OUTLOOK & PROSPECTS

Looking ahead, our Group is cautiously optimistic that the China's sportswear industry will continue to recover and gradually regain the growth momentum in the medium and long term after taking into consideration the following factors:

- Huge and rising population in China, particularly with the new two-child policy;
- Ongoing urbanisation process with increasing per capita disposable income of the urban households, supported by favourable Chinese Government's policies in driving domestic demand and boosting the income level of the urban households;
- Active measures and policies by the Chinese policymakers to accelerate the development of the domestic sports industry, and to promote participation in sports and to enhance consumption of sports goods; and
- Upcoming major sports events (including the Rio 2016 Summer Olympics and 2016 UEFA European Championship) likely to create fervour over sports among the general public.

Our Group will continue to build on the brand awareness of our proprietary 'XiDeLang' brand and step up the efforts on product innovation and quality control emphasising on "value-for-money" to ensure that our Group is well-positioned to seize the growth in market demand when opportunities arise. Bearing in mind the importance to ensure sustainable, long term development of the Group's operations, the Board is dedicated to manage and utilise the Group's resources effectively balancing the needs for expansion and risk exposure.



Barring any unforeseen circumstances, the Group is cautiously optimistic that the performance for the financial year ending 31 December 2016 will remain positive.

APPRECIATION

To our valued shareholders, our sincere appreciation for your continued trust and confidence in XiDeLang. We are dedicated to work harder to achieve greater value for you.

The Board would also like to express our deepest gratitude to the management team and employees of the Group for their relentless commitment, dedication and loyalty in driving the Group forward.

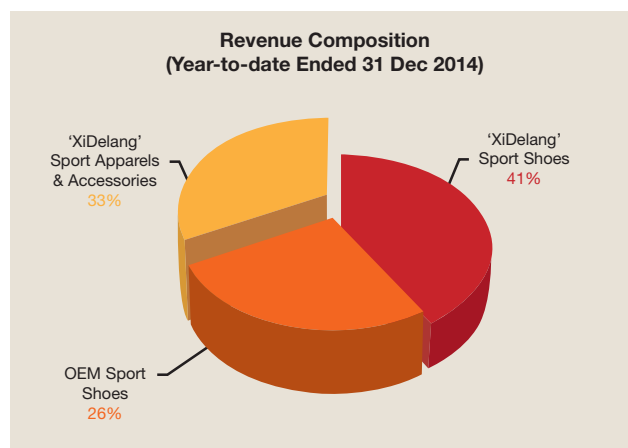
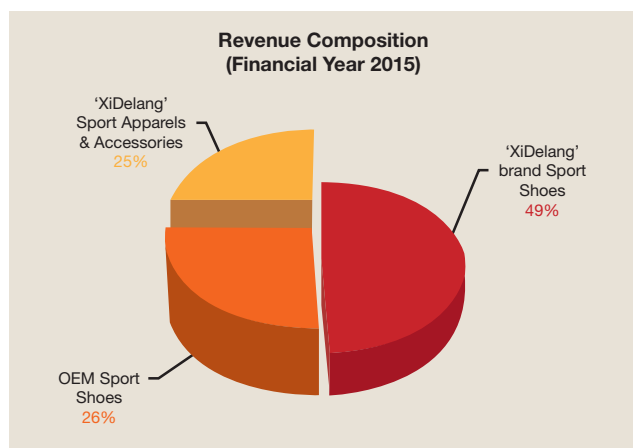
Our sincere thanks also goes to all our consumers, distributors and retailers, business associates and suppliers, bankers and regulators for their continued support to our Group and our brand all these years.

Thank you.

Ding LiHong
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW



KEY FINANCIAL DATA	2015	2014	Movement
Revenue (RMB'000)	544,812	530,035	+ 2.8%
Gross Profit (RMB'000)	103,193	130,751	- 21.1%
Gross Profit Margin (%)	18.9%	24.7%	- 5.8%
Net Profit for the Financial Year (RM'000)	6,798	49,579	- 86.3%

Our Group's business focus and market positioning remained consistent during the financial year under review, with primary focus on own-branding products targeted on the China domestic mass-market particularly the younger generation, and a secondary focus on OEM production for various overseas brands (through intermediaries – the import/ export trading companies based in China).

The existing business model presents a balanced revenue mix to the Group, with appropriate exposure to both local China market as well as overseas markets enabling the Group greater room for growth.

During the financial year under review, our Group enjoyed sales growth of 2.8% with revenue improved to RMB544.81 million from RMB530.04 million in the preceding year. This was primarily attributable to:

- (i) Increase in sales volume of 'XiDeLang' brand sport shoes in line with the gradual recovery of consumer demand within the local China market, where the Group sold approximately 3.33 million pairs of own-branding sport shoes during the financial year under review as compared to 2.74 million pairs in the preceding year; and
- (ii) Increase in average selling price for OEM orders of sport shoes, in line with the rising cost of production.

The revenue growth from sport shoes was, however, partially offset by the moderation in sales of 'XiDeLang' brand sport apparels and accessories. Revenue from 'XiDeLang' brand sport apparels and accessories reduced from RMB173.35 million in the preceding year to RMB135.94 million during the financial year under review, as a result of lower average selling price and lower sales volume recorded for 'XiDeLang' brand sport apparels and accessories which stood at approximately 2.18 million pieces (2014: 2.51 million pieces).

Although there have been signs of gradual recovery in demand during the financial year under review, the industry competition remained intense particularly in terms of apparels and accessories. Active penetration by international sportswear brands and rapid expansion of international fast-fashion brands have further widened the choices available in market, diverting the consumer demand and market share from China's domestic sportswear brands. In order to stay competitive, and in response to consumers' quest for value-for-money products, our Group has made appropriate adjustment to the pricing of our sport apparels during the financial year under review.

Management Discussion and Analysis _ Cont'd

Profitability

The Group continued its profit track record during the financial year under review amid the challenging market conditions, with gross profit stood at approximately RMB103.19 million (2014: RMB130.75 million). Gross profit margin stood at 18.9%, lower as compared to 24.7% in the preceding year. This was primarily due to lower revenue contribution from 'XiDeLang' brand sport apparels and accessories which generally command a higher margin as compared to sports shoes.

Net profit for the financial year under review stood at approximately RMB6.80 million, representing a decrease of 86.3% as compared to RMB49.58 million in the preceding year. This was primarily due to:

- (i) Decrease in gross profit as explained above; and
- (ii) One-off expenses amounting to RMB13.10 million incurred during the financial year under review, in relation to share options granted under the Employees' Share Option Scheme.

BUSINESS REVIEW

Our Group has leveraged on the following core areas to stay competitive in the market:

❖ **Strategic Brand Positioning and Management**

During the financial year under review, our Group continued to build on the brand positioning of 'XiDeLang' targeting on the mass market of China and accommodating the demands from younger generation in the urban areas. Our Group remained cost-conscious in formulating the marketing strategies, balancing the needs to maintain adequate level of brand exposure and cost control.

❖ **Product Innovation and Quality Control**

Product innovation and quality control have always been the emphasis of our Group, as we are committed to deliver quality products with both functionality and aesthetic design to accommodate the ever-changing consumer taste and preference.

Our Group believe in "doing things right at the beginning". As such, we fosters effective collaboration with our raw material suppliers and outsourced apparel manufacturers to ensure that the incoming supplies are of good quality with prompt delivery. In-house production is carefully monitored with quality control incorporated into the various stages of production for prompt detection of any defects.

To accommodate to fast-changing consumer taste and preference, our marketing team maintains close communication with the authorised distributors and retailers to gather the consumers' feedback and insights to local market across the various provinces and cities in China. Our in-house research and development team will then process these market information to innovate new models and enhance the functionality of our products. New models are carefully scheduled to be launched periodically into the market, in order to maintain the attractiveness of our brand to the consumers.

Over the years, our Group has continued to strengthen the production capacity from time to time. This presents the Group with greater flexibility and efficiency in sport shoes production and minimise the reliance on outsourcing, thereby allowing better control over quality and reducing the lead time between production and delivery to distributors and retailers. The increased production capacity also enables our Group to better tap the growth opportunities in the OEM market, thereby creating additional stream of stable income.

Management Discussion and Analysis _ Cont'd

❖ Optimisation of Distribution and Retail Network

In order to ensure a nation-wide retail coverage, our Group continued to work closely with our authorised distributors and retailers for operations of the retail outlets. We maintain unified image for all the retail outlets, and provide the distributors and retailers with the promotional materials from time to time.

Our Group coordinate with our authorised distributors and retailers to reform the existing portfolio of retail channels, in order to ensure long term sustainability of our distribution network. Emphasis is placed on improving the store efficiency and minimise peers competition whereby smaller outlets are being combined and consolidated, and replaced with bigger store or flagship outlet that carries wider range of products to better serve the consumers.

We maintain an effective communication with our authorised distributors and retailers, whereby information on market trend, product development and consumers' feedbacks are exchanged to keep everyone within the distribution network abreast of the consumer demands and market development. These information serve as important guidance for planning of the orders.

In order to stabilise the profitability of our authorised distributors and retailers, and to enhance sustainability and competitiveness of our retail networks, our Group coordinate closely with our distributors and retailers and assist them in establishing an appropriate in-store inventory level. This is to minimise the risk of overstocking at the retail end, which will help to reduce the occurrence of deep-discounting for stock clearance. Distributors and retailers are encouraged to be more flexible in making replenishment orders to optimise the in-store inventory level while remain vigilant to capture the market potential.

APPRECIATION

I would like to extend my deepest appreciation to our treasured management team and employees for their dedicated efforts, hard works and commitments in driving the Group forward.

My heartfelt thanks to our valued consumers, distributors and retailers, business associates and suppliers, bankers and regulators for their continued support to XiDeLang and our brand.

Taking this opportunity, I would also like to express my utmost gratitude to all our shareholders for the continued support and confidence in XiDeLang.

Ding PengPeng

Managing Director/ Chief Executive Officer



PROFILE OF THE BOARD OF DIRECTORS

Ms. Ding LiHong is the co-founder and Executive Chairman of XiDeLang Group (“the Group”). As the co-founder and Executive Chairman of the Group, she has been instrumental in the growth and success of the Group. With over 20 years of experience in the sportswear industry, she has contributed immensely to the Group’s success particularly in driving the overall vision of the Group.

In 1993, she started her career in the sportswear industry when she established Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. (“HongPeng Footwear”) together with the Managing Director and Chief Executive Officer (“CEO”) of the Group, Mr. Ding PengPeng. During that time, HongPeng Footwear was initially a manufacturer of casual sports shoes. However, under her management, the Group has since grown to become a reputable and established player in sports shoes, apparel, sports accessories and equipment in PRC. She is also recognised for her contribution in the growth and development of the ‘XiDeLang’ brand, which has successfully attained numerous awards and recognition from various authorities.

She is a graduate of the Executive Training Program for Jinjiang Entrepreneurs from University of Hong Kong - School of Professional and Continuing Education. She is also a graduate of the CEO Advanced Management Programme from Peking University.

She is a Member of National Youth Chamber of Commerce, Vice President of Jinjiang Youth Chamber of Commerce, Member of the Twelfth Jinjiang Committee of the Chinese People’s Political Consultative Conference (CPPCC), Standing Committee of the Youth Federation of Jinjiang, Standing Committee of Jinjiang Footwear Association, Standing Committee of Quanzhou Footwear Association, Honorary Chairman of Junior Chamber of Commerce of Chendai, Jinjiang, PRC.

She was appointed to the Board on 5 May 2009.

Ms. Ding is the sister of Mr. Ding PengPeng and Ms. Ding PengWan, the Managing Director/CEO and Executive Director/Deputy Chief Executive Officer cum Chief Operating Officer (“Deputy CEO cum COO”) of the Group respectively.

She does not hold any other directorship in other public listed companies.

She does not have any conflict of interest with the Company, other than disclosure under “*Additional Corporate Disclosures (Recurrent Related Party Transactions)*” section of this Annual Report.

In the past ten (10) years, she has not been convicted of any offence.

She attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.



Ding LiHong

(Aged 43 – Citizen of PRC)
Executive Chairman

Profile of the Board of Directors _ Cont'd



**Y.Bhg Dato' Mohamed Nazim
Bin Abdul Razak**

*(Aged 54 – Malaysian)
Deputy Chairman /
Independent Non-Executive Director*

Y.Bhg Dato' Mohamed Nazim Bin Abdul Razak is an architect by profession. He graduated from Architectural Association, School of Architecture, London in 1987. Upon graduation, he served with YRM Architects in London, a multi-disciplinary building design consultancy. He returned to Malaysia in 1989 and worked with Kumpulan Arkitek. He set up NRY Architects Sdn Bhd in 1992 and is currently the Chief Executive Officer of NRY Architects Sdn Bhd.

Y.Bhg Dato' has accumulated close to 30 years of experience in the architectural field, majority of which were in Kuala Lumpur.

Y.Bhg Dato' was appointed to the Board on 10 March 2014. He also serves as the member of the Remuneration Committee.

Y.Bhg Dato' also serves as an independent non-executive director of Hong Leong Capital Berhad and 7-Eleven Malaysia Holdings Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a director of The Legend Golf and Country Resorts Berhad, a public company.

Y.Bhg Dato' has no family relationship with any other director/major shareholder of XiDeLang Group.

Y.Bhg Dato' does not have any conflict of interest with the Company.

In the past ten (10) years, Y.Bhg Dato' has not been convicted of any offence.

Y.Bhg Dato' has attended four (4) out of the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.

Profile of the Board of Directors _ Cont'd

Mr. Ding PengPeng is the co-founder, Managing Director and CEO of the Group. His vision, strong business acumen and proactive management have contributed significantly to the growth and development of the Group. He has accumulated more than 20 years of marketing and management experience in the sportswear industry where he started his career in 1993, when he established HongPeng Footwear together with the Executive Chairman, Ms. Ding LiHong.

During the infancy years of XiDeLang Group, he recognised the importance of brand creation, ownership and management as key components of differentiating the Group from competitors. He was instrumental in building the “XiDeLang” brand of sport shoes to become a highly coveted brand in PRC today. His expertise and contribution extends to the formulation and execution of the overall business strategies and policies of the Group. He is also responsible for implementing the management policies and overseeing the production and operation, marketing, quality control, public relations and research and development, where his prudent management has propelled the continuing success of XiDeLang Group.

He is also the Chairman of Fujian Province Jinjiang City E-Commerce Development Co., Ltd., a private company in the PRC that operates the “China Shoes Capital E-Commerce Centre”. He also acts as the President of the Junior Chamber of Commerce of Chendai, Vice President of the Industrial Design & Fashion Creativity Association of JinJiang City, Executive Vice President of Jinjiang Youth Chamber of Commerce cum Director-General of Youth Entrepreneurship Society, Council Member of the Quanzhou Youth Federation and the Special Supervisory Agent (2014 – 2016) for the Chendai Police Station.

He has received numerous awards throughout the years, in recognition of his achievements and contribution to the domestic sportswear industry including the “Top Ten Sportswear Industry Player of the Year” and the “Quanzhou May-Fourth Medal”.

He was appointed to the Board on 5 May 2009. He also serves as the member of the Remuneration Committee and Risk Management Committee.

Mr. Ding is the brother of Ms. Ding LiHong and Ms. Ding PengWan, the Executive Chairman and Executive Director/Deputy CEO cum COO of the Group respectively.

He does not hold any other directorship in other public listed companies.

He does not have any conflict of interest with the Company, other than disclosure under “Additional Corporate Disclosures (Recurrent Related Party Transactions)” section of this Annual Report.

In the past ten (10) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.



Ding PengPeng

(Aged 41 – Citizen of PRC)
Managing Director / CEO

Profile of the Board of Directors _ Cont'd



Ding PengWan

(Aged 39 – Citizen of PRC)
Executive Director / Deputy CEO cum COO

Ms. Ding PengWan started her career with XiDeLang Group as junior accountant in 1993 and was subsequently promoted to Purchasing and Integrated Management Manager in 2008. On 26 April 2010, she was appointed as the Chief Operating Officer of the Group and is responsible for overseeing the overall operations and management functions of the Group. She has been re-designated as the Deputy CEO cum COO of the Group on 29 February 2016.

She is a graduate of the Advanced Management Program on Business Administration from Huaqiao University, PRC.

She was appointed to the Board on 21 July 2009. She also serves as the Chairman of the Risk Management Committee.

Ms. Ding PengWan is the sister of Ms. Ding LiHong and Mr. Ding PengPeng, the Executive Chairman and Managing Director/CEO of the Group respectively.

She does not hold any other directorship in other public listed companies.

She does not have any conflict of interest with the Company, other than disclosure under “*Additional Corporate Disclosures (Recurrent Related Party Transactions)*” section of this Annual Report.

In the past ten (10) years, she has not been convicted of any offence.

She attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.



Lin YingYu

(Aged 38 – Citizen of PRC)
Executive Director

Ms. Lin YingYu started her career with XiDeLang Group as junior accountant in 1997 and was subsequently promoted to Assistant Finance Manager in 2001. In 2005, she was promoted to Finance Manager and is tasked with the responsibilities to oversee the accounting and financial aspects of XiDeLang Group.

She has close to 20 years of working experience in the accounting and financial aspects and she is familiar with the XiDeLang Group’s business operation and the business environment in China, particularly the footwear and apparel industry.

She was appointed to the Board on 10 March 2014. She also serves as the member of the Risk Management Committee.

Ms. Lin has no family relationship with any other director/major shareholder of XiDeLang Group.

She does not hold any other directorship in other public listed companies.

She does not have any conflict of interest with the Company.

In the past ten (10) years, she has not been convicted of any offence.

She attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.

Profile of the Board of Directors _ Cont'd

Mr. Zhu GuoHe graduated from Huaqiao University, PRC in 1994 with an Advanced Diploma in Electrical Automation Technology. He is also a graduate of Executive Seminars on Business Administration from Huaqiao University. He subsequently obtained a Master of Business Administration (MBA) from Preston University, United States in August 2010.

He is an entrepreneur with over 20 years of experience in the advertising industry. After gaining wide industry experience, he established his own advertising agency, Fujian Quanzhou Tianyuan Planning and Advertising Co., Ltd. in 1997. Subsequently, he established another advertising firms in the PRC, namely Xiamen Shengshi Tianyuan Media Co., Ltd. In 2010, he established Quanzhou Tianyuan Investment Consulting Co., Ltd..

Under his management and leadership, his advertising agencies have grown rapidly to become one of the leading brand creation and integrators in the PRC. His agencies provide advisory services to leading PRC sports goods companies such as Jordan (China) Co., Ltd., 3610 (China) Co., Ltd., XiDeLang, Kangta and the Chinese Basketball Association. He has been instrumental in assisting to establish the “XiDeLang” brand as well as other prominent sports brands in China.

He has received numerous awards in China, including “China’s Top Ten Sports Brand Planning Expert” in 2005, “China’s Outstanding Sports Brand Planning Expert” in 2008, “China’s Top Ten Marketing Planning Expert” in 2009 and “China’s Annual Fashion Brand Planning Award in 2011”. He has also been accredited as the Qualified Senior Planner in China.

He is the Executive Vice President of Zhangzhou Chamber of Commerce in Quanzhou and the Executive Chairman of Pinghe Chamber of Commerce in Quanzhou.

He was appointed to the Board on 18 August 2009. He also serves as the Chairman of the Nomination Committee and the member of the Audit Committee, Remuneration Committee and Risk Management Committee. He has also been designated as the Senior Independent Non-Executive Director with effect from 30 November 2012.

Mr. Zhu has no family relationship with any other director/major shareholder of XiDeLang Group.

Mr. Zhu is also an executive director of Accsoft Technology Berhad (*formerly known as Oriented Media Group Berhad*), a company listed on the ACE Market of Bursa Malaysia Securities Berhad. He is also an independent non-executive director of Flyke International Holdings Ltd, a public listed company in Hong Kong.

He does not have any conflict of interest with the Company.

In the past ten (10) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.



Zhu GuoHe

(Aged 46 – Citizen of PRC)
Senior Independent
Non-Executive Director

Profile of the Board of Directors _ Cont'd



Wong Yoke Nyen

*(Aged 57 – Malaysian)
Independent Non-Executive Director*

Mr. Wong Yoke Nyen earned his Bachelor Degree in Accountancy from London Metropolitan University (formerly known as City of London Polytechnic), United Kingdom. He is also a graduate of The Wharton Advance Management Program from the Wharton Business School of the University of Pennsylvania, United States.

In 1981, he started his career in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad). He is a seasoned investment banker with more than 20 years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad. He was an Honorary Advisor to the Master Builders Association Malaysia from July 2008 to June 2010. In 2004, he started WYNCORP Advisory Sdn Bhd, a private company licensed to provide investment and corporate finance advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn Bhd.

He also serves as an independent non-executive director of New Hoong Fatt Holdings Berhad, Benalec Holdings Berhad, Focus Lumber Berhad and Sentoria Group Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad.

He was appointed to the Board on 21 July 2009. He also serves as the Chairman of the Audit Committee and the member of the Remuneration Committee and Nomination Committee.

Mr. Wong has no family relationship with any other director/major shareholder of XiDeLang Group.

He does not have any conflict of interest with the Company.

In the past ten (10) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.

Profile of the Board of Directors _ Cont'd

Mr. Woon Yeow Thong graduated from the University of Kent at Canterbury with an honours degree in law. A Barrister-at-Law (Inner Temple) and an Advocate & Solicitor of the High Court of Malaya, Mr. Woon was called to the English Bar at the Honourable Society of the Inner Temple, England in 1989 and was subsequently admitted as an Advocate and Solicitor of the High Court of Malaya in 1990.

He is the founder of Messrs Woon & Co., Advocates & Solicitors, and has been in active legal practice for more than 20 years, specialising in commercial and corporate litigation, in particular corporate insolvency and restructuring. He has a number of reported cases at the High Court and Court of Appeal of Malaysia. He has conducted many litigation matters involving winding up and corporate reconstruction pursuant to Section 176 of the Companies Act 1965, Malaysia and has also been called to give talks to officers of the Insolvency Department by the Legal Department of the Ministry of Law, Malaysia on bankruptcy and winding up laws. He has also given talks on General Advocacy to junior lawyers including those in Sarawak.

He was appointed to the Board on 4 September 2009. He is a member of the Audit Committee and Nomination Committee and the Chairman of the Remuneration Committee.

Mr. Woon has no family relationship with any other director/major shareholder of XiDeLang Group.

He is also an independent non-executive director of Mikro MSC Berhad, company listed on the ACE Market of Bursa Malaysia Securities Berhad.

He does not have any conflict of interest with the Company.

In the past ten (10) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2015.



Woon Yeow Thong

*(Aged 50 – Malaysian)
Independent Non-Executive Director*

STATEMENT ON CORPORATE GOVERNANCE

The Company and its Board of Directors (“the Board”) recognises the importance of corporate governance which contributes to the intrinsic value of an organisation. The Board is guided by the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance (“MCCG”) 2012. The Group is committed to uphold good corporate governance practices and will endeavour to ensure that the principles and recommendations advocated therein by MCCG 2012 are practised and applied throughout the Company and its subsidiaries (collectively “the Group”) where applicable and appropriate to create and deliver long term and sustainable shareholders values.

The ensuing paragraphs describe the extent of how the Group has applied and complied with the principles and best practices set out in the MCCG 2012 for the financial year under review.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Roles and Responsibilities of the Board

The Board is collectively responsible to establish the overall strategic objectives of the Group, deliberating and directing strategic action plans and policies and strategic allocation of the Group’s resources to align with the overall objectives of the Group.

The Board has the overall responsibility for the formulation of strategies, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, succession planning as well as development of investor relations programme and shareholders’ policy. Members of the Board exercise due diligence and care in discharging their responsibilities and act in the best interests of the Group and its shareholders.

The functions of Executive and Non-Executive Directors are distinguished and clearly defined.

The Executive Directors, through their daily involvement in the operations of the Group, assume the primary responsibility for managing the Group’s operations and resources. Their intimate knowledge and vast experience of the business and their active-participation management style have contributed to the continued growth of the Group.

The Independent Non-Executive Directors, on the other hand, exercise with professional competence and independence a supervisory role via their involvement in various Board committees and focus principally on performance monitoring and enhancement of corporate governance and internal controls. They offer a capable check and balance for the Executive Directors. The presence of the Independent Non-Executive Directors ensures that issues pertaining to strategies, performance and resources allocation proposed by the Management (led by the Executive Directors) are objectively evaluated, taking into consideration the interests of shareholders and relevant stakeholders of the Group. The Independent Non-Executive Directors bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the financial performance of the Group, and monitor the overall risk profile of the Group. The Independent Non-Executive Directors communicate with the Management, and with the internal and external auditors to address matters concerning management and oversight of the Group’s operations.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board’s authorities and discretion to the Executive Directors, representing the Management, as well as properly constituted Board Committees. The Board Committees are entrusted with specific duties and responsibilities to oversee the Group’s affairs, in accordance with their respective terms of reference. At each Board meeting, minutes of the Board Committees’ meetings are presented to the Board. The respective Chairman of the Board Committees will also report to the Board on key issues deliberated by the Board Committees.

Management will formulate the appropriate strategic plans and business strategies, taking into consideration the prevailing market condition and operating environment, and submit to the Board the 3-years business plans and forecast for consideration and approval. From time to time, corporate proposal(s) that are considered beneficial to the Group are tabled by the Management at the Board meetings for deliberation and approval. Quarterly financial reports and the annual financial statements are submitted to the Audit Committee and the Board for review and performance monitoring. The actual results are benchmarked against the submitted forecast, and explanations are obtained by the Board from the Management on any significant deviation.

Statement on Corporate Governance _ Cont'd

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.1 Roles and Responsibilities of the Board (Cont'd)

The Management's authority limits for the Group's operations are defined/ approved by the Board from time to time, upon deliberation by the Board on the investment proposal, capital expenditure budget and/ or business plan and forecast submitted by Management; with the status of implementation subject to the Board's monitoring at the periodic Board meetings. In defining the authority limits, the Board take note of the provisions of the Main Market Listing Requirements ("Listing Requirements") by Bursa Malaysia Securities Berhad ("Bursa Securities") particularly those as stipulated under Chapter 10 of the Listing Requirements.

The primary roles of the respective members of the Board are summarised below:

Chairman & Deputy Chairman	<ul style="list-style-type: none"> o Provides leadership to the Board. o Ensure the efficient organisation and conduct of the Board. o Monitor Board's performance annually. o Facilitate Board's discussions to ensure core issues faced by the Group are addressed. o Brief all Directors in relation to issues arising at Board meetings. o Facilitate the effective contribution and ongoing development of all Directors. o Promote consultative, constructive, professional and respectful relations between Board members and between the Board and Management. o Chair shareholder meetings.
Managing Director/ Chief Executive Officer ("CEO")	<ul style="list-style-type: none"> o Perform executive management of the Group's business covering, inter alia, the development of a strategic plan/ budget, performance benchmarks to gauge management performance and the analysis of management reports. o Ensure the effective implementation of the Group's strategic plan and policies established by the Board as well as managing the daily conduct of the business to ensure its smooth operations. o Effectively oversee the human resources of the Group with respect to key position in the corporate hierarchy. o Assure the Company that its corporate identity, products and services are of high standards and are reflective of the market environment. o Assess business opportunities which are of potential benefit to the Group. o Supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group. o Highlight material and other relevant matters to the Board's attention in a comprehensive and timely manner.
Deputy CEO	<ul style="list-style-type: none"> o Provide assistance and support to the Managing Director/ CEO to carry out his responsibilities. o To assume the role of CEO in the absence of Managing Director/ CEO.
Chief Operating Officer ("COO")	<ul style="list-style-type: none"> o Monitor and manage day-to-day operations of the Group and keeping the Managing Director/ CEO aware with the significant events of the Company. o Ensure the Group's operations in line with the short and/or long term strategic planning of the Group. o Communicate the Group's operation strategies and policies to the employees. o Evaluate the Group's performance and provide suggestions and solutions to improve/resolve identified issue(s).
Executive Director	<ul style="list-style-type: none"> o Responsible for the day-to-day management and operations of the relevant divisions and functions within the Group.

Statement on Corporate Governance _ Cont'd

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.1 Roles and Responsibilities of the Board (Cont'd)

Independent Non-Executive Directors

- o Responsible for providing unbiased, independent and professional views, advice and judgement, taking into consideration the interests of the Group and all its stakeholders.
- o Performance monitoring and enhancement of corporate governance and internal controls.

In accordance with Recommendation 1.7 of the MCCG 2012, a board charter (“the Charter”) has been drawn up. The primary objective of the Charter is to promote high standards of corporate governance and to clarify the roles, responsibilities, functions, compositions, operation and processes of the Board. The Board will regularly review the Charter to ensure compliance with the relevant standards of corporate governance. The Charter is published on the Company’s corporate website at www.xidelang.com.my.

1.2 Code of Ethics

Pursuant to Recommendation 1.3 of the MCCG 2012, the Directors’ Code of Ethics outlining the standards of business conduct and ethical behaviour which the Directors should possess in discharging their duties and responsibilities has been put in place for all Directors to adhere to, and to enhance the professionalism and integrity of the Directors. The Directors’ Code of Ethics is posted on the Company’s corporate website.

A formal whistle-blowing policy has been put in place by the Group to provide an avenue for stakeholders to raise their concerns and voice out any malpractices, wrongdoing, abuse of power, conflict of power, corruption or noncompliance with the Group; in order to promote accountability and to enhance personal ethics in the dealings of the Group.

1.3 Strategies Promote Sustainability

The Board recognises the importance to incorporate social responsibilities into our corporate strategies and operational decisions particularly on the environmental, social and governance aspects to promote sustainability. Further details are disclosed under the section “Additional Corporate Disclosure (Sustainability Reporting)” of this Annual Report.

1.4 Access to Information and Advice

The Board is scheduled to meet quarterly to discuss the operations and financial performance of the Group, with additional meetings to be convened to resolve any major and ad hoc matters requiring immediate attention. Directors may participate either in person, or through electronic means of communication (via teleconference).

Relevant information and agenda are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to solicit further explanations and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretary, and properly documented and filed in the Minutes Book maintained at the Registered Office in Bermuda.

The Board enjoys full and unrestricted access to all information pertaining to the Group’s affairs. In discharging their duties, the Board has full access to the advice and services of the Company Secretaries who are responsible to the Board for ensuring that the Board meeting procedures are adhered to and that applicable rules and regulations are being complied with. The Board is allowed, whether as a full board or in their individual capacity, to solicit independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group’s expense.

Statement on Corporate Governance _ Cont'd

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.4 Access to Information and Advice (Cont'd)

Any request of information/ enquiry will be communicated to the Company Secretaries, who will then disseminate the request/ enquiry to other members of the Board. The Director concerned may, at his/her desire, either procure the assistance of the Management or Company Secretaries to obtain the clarification required or communicate directly with the relevant professional. The clarification is shared with other members of the Board during the Board meeting. If necessary, invitation may be extended to the relevant professional to attend the Board meeting and brief the Board on the matter concerned.

The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities.

1.5 Suitably Qualified and Competent Company Secretary

The Company Secretary and the Assistant Secretary engaged by the Company are licensed company secretary firms within the jurisdiction of Malaysia and Bermuda, respectively; who employ chartered secretaries and experienced professionals in their provision of secretarial services to the Company.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its duties and responsibilities. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary supports the Board in managing the Company's governance model, ensuring that it is effective and relevant. The Company Secretary also ensures that deliberations at the Board and its Committees meetings are properly minuted and kept. In particular, the Company Secretary:

- Compile all the relevant information and agenda for Board meetings and circulate the same to the members of the Board;
- Take minutes of the proceedings at the Board and its committees' meetings;
- Prepare the relevant resolutions for the approval of the Board where applicable;
- Brief the members of the Board on any updates or amendments on the regulatory requirements (including the Listing Requirements), directives and guidance applicable to the listed company, and circulate a copy of the regulatory requirements, directives and guidance to the Board for reference;
- Facilitate the conduct of the Company's Annual General Meeting and Special General Meeting (where applicable); and
- Assist the Company to make filings and submissions with the authorities.

Statement on Corporate Governance _ Cont'd

2. STRENGTHEN COMPOSITION

2.1 Composition

The Board comprises eight (8) Directors, with a balanced mix of Executive Directors and Independent Non-Executive Directors. Members of the Board, and their respective attendance record for the Board meetings conducted during the financial year under review, are as follows:

Name	Designation	Attendance
Ding LiHong	Executive Chairman	8/8
Y.Bhg Dato' Mohamed Nazim Bin Abdul Razak	Deputy Chairman/Independent Non-Executive Director	4/8
Ding PengPeng	Managing Director/CEO	8/8
Ding PengWan	Executive Director/Deputy CEO cum COO ^	8/8
Lin YingYu	Executive Director	8/8
Zhu GuoHe	Senior Independent Non-Executive Director	8/8
Wong Yoke Nyen	Independent Non-Executive Director	8/8
Woon Yeow Thong	Independent Non-Executive Director	8/8

^ with effect from 29 February 2016

The composition and size of the Board are reviewed from time to time to ensure their appropriateness and effectiveness. Overall, the Board should comprise:

- (i) Adequate independent non-executive directors in accordance with the provisions of the Listing Requirements;
- (ii) Directors with an appropriate range of skills, experience and expertise;
- (iii) Directors who have a proper understanding of, and competence to deal with current and emerging issues of the business; and
- (iv) Directors who can effectively review and challenge the performance of the management and exercise independent judgement.

At present, the Board consists of Executive Directors with extensive industry knowledge and experience; and Independent Directors with well-balanced mix of knowledge and experience on corporate management, corporate finance and financial reporting, legal and regulatory requirements, as well as industry insights.

2.2 Board Committees

The Board has established several board committees to assist the Board in discharging its duties and responsibilities, comprising an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management Committee (collectively referred to as "Board Committees").

The Board Committees operate within their respective clearly defined terms of reference to assist in the effective functioning of the Board. The functions and terms of reference of the respective Board Committees, as well as authority delegated by the Board to these committees, are reviewed from time to time to ensure they remain relevant and are up to date.

The Board Committees deliberate matters within their operating parameters in greater details and report to the Board on matters deliberated together with their recommendations. Nevertheless, final decisions on all matters are subject to the Board's collective approval.

Statement on Corporate Governance _ Cont'd

2. STRENGTHEN COMPOSITION (CONT'D)**2.2 Board Committees (Cont'd)****Audit Committee**

The composition of the Audit Committee and a summary of its activities are set out in the “*Audit Committee Report*” section of this Annual Report.

Nomination Committee

The Nomination Committee comprises exclusively Independent Non-Executive Directors, the Chairman of which is the Senior Independent Non-Executive Director in compliance with Recommendation 2.1 of the MCCG 2012. The Nomination Committee is empowered by the Board through its terms of reference (which is published under the Company’s corporate website) to carry out the following functions:

- (a) Assess and select/ nominate or recommend strong and capable candidates to serve on the Board.
- (b) Review the size, composition, structure, operations, performance and effectiveness of the Board and to recommend to the Board any adjustment deemed necessary.
- (c) Make recommendations to the Board in relation to the Company’s succession planning process, in particular, for the Chairman and Executive Directors.
- (d) Lead the Board in its annual review of the Board’s performance.
- (e) Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.
- (f) Consider issues involving possible conflicts of interest of Directors.
- (g) Perform such other functions as the Board may from time to time assign to the Committee.
- (h) Enhance the assessment criteria of the Directors, especially on the assessment of the Independent Directors.
- (i) Develop, promote and facilitate achievement of board gender diversity.

During the financial year ended 31 December 2015, one meeting of the Nomination Committee was held and the following activities have been undertaken:

- Reviewed and discussed the performance and contribution of the Executive Directors;
- Reviewed and discussed the performance and contribution of the Independent Non-Executive Directors;
- Assessed the performance of the Board as a whole as well as the contribution of the respective Board Committees; and
- Evaluated the Directors that shall retire pursuant to the Bye-Laws of the Company, and made recommendation for their election/ re-election.

The meeting was attended by all members as reflected below:

Name	Designation	Attendance
Zhu GuoHe	Chairman	1/1
Woon Yeow Thong	Member	1/1
Wong Yoke Nyen	Member	1/1

Statement on Corporate Governance _ Cont'd

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Board Committees (Cont'd)

Remuneration Committee

The Remuneration Committee comprises primarily Independent Non-Executive Directors with the involvement of one (1) Executive Director, and is primarily responsible for the following:

- (a) Establish formal and transparent remuneration policies and procedures to attract and retain Directors (executive and non-executive) and executives (where appropriate) who will create sustainable value for members and other stakeholders.
- (b) Fairly and responsibly reward Directors and executives (where appropriate) having regard to the performance of the Company, the performance of the Director and/or executive and the external compensation environment.
- (c) Other matters referred to the Committee by the Board.

The composition of the Remuneration Committee and the attendance record of its members are reflected below:

Name	Designation	Attendance
Woon Yeow Thong	Chairman	2/2
Zhu GuoHe	Member	2/2
Wong Yoke Nyen	Member	2/2
Ding PengPeng	Member	2/2
Y.Bhg Dato' Mohamed Nazim Bin Abdul Razak	Member	1/2

Risk Management Committee

The Risk Management Committee comprises the following members:

Name	Designation
Ding PengWan	Chairman
Ding PengPeng	Member
Zhu GuoHe	Member
Lin YingYu	Member

The Risk Management Committee is primarily tasked to assist the Board in reviewing the adequacy and effectiveness of the system of risk management. As there are no significant changes to the risk profile and exposure of the Group's operations during the financial year under review, no separate meeting was conducted by the Risk Management Committee during the financial year under review. The review on the risk management and internal control activities are carried out directly at the Board level, assisted by the Audit Committee.

Subsequent to the current financial year end, as an initiative to enhance the risk management of the Group, the outsourced internal auditors has been engaged to carry out the risk assessment on the Group.

Statement on Corporate Governance _ Cont'd

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Appointment & Re-Election of Directors

The Board as a whole makes decisions on appointment of director, upon recommendation by the Nomination Committee.

The selection and appointment of suitable candidates for the Board membership are conducted in systematic manner, which involve the following five (5) nomination procedures:

- Identification/ selection of candidates;
- Evaluation of suitability of candidates;
- Formal interview with candidates;
- Final deliberation by Nomination Committee; and
- Recommendation to the Board for approval.

In connection with the nomination process, the Nomination Committee shall be authorised to, without limitation:

- Determine the desired qualifications and criteria for Board members, including skills, experience, qualities, desired diversity and the like.
- Recommend to the Board definitions of “independence” and “conflicts of interest” for Board members, as well as guidance on time commitments and other directorships.
- Retain and terminate (within its sole authority) any search firm to assist in identifying director candidates, including the sole authority to approve the fees payable to such search firm and any other terms of retention.
- Oversee due diligence as to candidates for nomination or re-nomination as Board members.

Pursuant to the Company's Bye-Laws (“The Bye-Laws”), one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3) then the number nearest to but not less than one-third (1/3), shall retire from office and shall be eligible for re-election thereat by rotation at each Annual General Meeting (“AGM”) provided always that all Directors shall retire from office at least once every three (3) years. Directors who are appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next AGM held following their appointments.

The Bye-Laws also provides that Directors over the age of seventy (70) years are required to subject themselves for re-appointment annually.

In the selection process, the Board and the Nomination Committee endeavour to appoint member that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties. The selection process is unbiased in respect of race, religion and gender although the Board and the Nomination Committee are cognisant of the gender diversity recommendation advocated by MCCG 2012.

The Board take note of the Recommendation 3.2 of MCCG 2012 that the tenure of an independent director should not exceed a cumulative term of nine (9) years. On completion of the nine years by a particular independent director, the Board will carry out assessment on the suitability of the said independent director to be re-elected to the Board taking into consideration the following factors:

- The past contributions by the said independent director and the future contribution that can be made by the said independent director by virtue of his knowledge, experience and skills;
- Whether there is any conflict of interest situation associated with the said independent director; and
- Whether there is any active involvement by the said independent director in the daily operations of the Group.

The Board may, upon satisfaction that the said independent director fulfils the definition of independence as stipulated in the Listing Requirements and can continue to add value and contribute to the Board and the Group, recommend the re-election of the said independent director to the Board subject to the approval of shareholders at the AGM. The Board seeks to strike a balance between tenure of service and the benefits to the Group from the continuity of service of an independent director.

Statement on Corporate Governance _ Cont'd

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Appointment & Re-Election of Directors (Cont'd)

During the financial year ended 31 December 2015, our Group has three (3) female Executive Directors albeit there is no female Independent Non-Executive Director.

The Board is satisfied with the mix of skills, experiences, and industry-specific knowledge gained to-date by the respective Directors and is of the opinion that current Board's composition is beneficial to the shareholders. Nevertheless, the Board will remain mindful of the gender diversity guideline when considering future changes to the Board's composition.

2.4 Annual Assessment

The Board carries out assessment on the effectiveness of individual Directors, the Board as a whole, and the Board Committees on annual basis, to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

2.5 Directors' Remuneration

Aggregate Directors' Remuneration

Directors	← Financial year ended 31 December 2015 →		
	Directors' Fees RMB	Emoluments RMB	Total RMB
Executive Directors	–	2,805,674	2,805,674
Non-Executive Directors	604,321	54,462	658,783
Grand Total	604,321	2,860,136	3,464,457

Remark: Directors reside in the People's Republic of China ("PRC") were paid in RMB, while the remaining being paid in RM. For presentation purpose, directors' remuneration paid in RM has been translated at the exchange rate of RMB1: RM0.6610

Analysis of Directors' Remuneration

Directors	Executive Directors	Non-Executive Directors
RMB100,000 and below	–	1
RMB150,001 – RMB200,000	1	3
RMB450,001 – RMB500,000	1	–
RMB1,050,001 – RMB1,100,000	2	–

The objective of the Group's remuneration policy is to attract and recruit the right people for the Board, who possess both the necessary leadership qualities and the required background and experience in relevant areas of the Group's business; and to encourage and motivate the Directors to focus on a strong market position of the Group, financial results and shareholder value creation as well as providing the members of the Board with incentives to achieve long term growth objectives.

The total remuneration package is structured to be competitive and in line with current market practice for Board members of comparable companies, taking into account both size and business complexity.

For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities and consists of the both fixed element (annual salary) and variable element (bonus).

Statement on Corporate Governance _ Cont'd

2. STRENGTHEN COMPOSITION (CONT'D)

2.5 Directors' Remuneration (Cont'd)

For Non-Executive Directors, the level of remuneration is in line with the level of contribution and taking into account factors such as efforts and devotion of time and the responsibilities entrusted upon them.

The Remuneration Committee recommends for the Board's approval, the framework of the Executive Directors' remuneration package and terms of employment. The determination of the remuneration package of Non-Executive Directors is a matter for the Board as a whole. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

The Board is of the opinion that disclosure of remuneration by appropriate components and bands is adequate to meet the objectives of MCCG 2012. Details of individual Directors' remuneration are not disclosed for personal security reasons.

3. REINFORCE INDEPENDENCE

Members of the Board are persons of high calibre from differing professional and commercial backgrounds. With a blend of good management, entrepreneurial skills and industry-specific knowledge, they bring extensive depth and diversity in experience and perspectives which are vital for the continued success of the Group. The profiles of each Director are presented under the "Profiles of the Board of Directors" section of this Annual Report.

To ensure an effective and independent supervision, all the Independent Non-Executive Directors in office are independent of the Management and major shareholders and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The current Independent Non-Executive Directors continue to fulfil the definition of independence as stipulated in the Listing Requirements. None of the Directors have served the Company for tenure exceeding nine (9) years, in accordance with the Recommendation 3.2 of MCCG 2012.

The Board recognises a strong independent element of the Board is essential to ensure a balance of power and authority. The roles and responsibilities of the Chairman and Managing Director/CEO are clearly segregated to further enhance and preserve a balance of authority and accountability. The Chairman provides overall leadership to the Board, without compromising the principle of collective responsibility for Board's decisions; while the Managing Director/CEO focuses primarily on formulation and implementation of business strategies, oversees the implementation of the Board's decision and policies, as well as supervises the day to day management and running of the Group. Also, Directors are required to abstain from deliberations and voting on decisions concerning transactions which are related to them or of which they have interests in.

The Company is not in compliance with Recommendation 3.4 of the MCCG 2012 which provides that the Chairman must be a non-executive member of the Board. The Board is of the opinion that the present Executive Chairman, Ms Ding LiHong, is an appropriate candidate for the position of Board Chairman by virtue of her unparalleled knowledge and experience in the sportswear industry and the recognition she earned from the industry peers. To mitigate the deviation, the Company has appointed an Independent Non-Executive Director as the Deputy Chairman.

The Company is not in compliance with Recommendation 3.5 of the MCCG 2012 which states that the Board should comprise a majority of independent directors where the Chairman is not an independent director. The Board is of the opinion that this deviation from the recommendation of the MCCG 2012 will not significantly impair the corporate governance framework of the Company as half of the present board composition consist of Independent Non-Executive Directors. The Board will maintain close monitoring to ensure balance of power and authority and the Board's decisions are made with adequate independent supervision.

The Nomination Committee upon assessment of the Board's size and composition are satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

Statement on Corporate Governance _ Cont'd

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment allocated by the Directors towards fulfilling their roles and responsibilities as directors, evidenced by the good attendance record of the Directors at the Board meetings.

Directors are required to submit a timely update of their directorship in other companies to the Company Secretary as and when there is a change. Such information is used as reference in assessing whether the Director will be able to allocate sufficient time to fulfil their fiduciary roles and responsibilities effectively.

The Board take note of the restriction under Paragraph 15.06 of the Listing Requirements that the Directors should not hold more than five (5) directorships in listed entities. None of the Directors is in breach of this restriction.

4.2 Directors Training

All existing Directors have attended the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia.

The Board is mindful that appropriate continuous training is essential for the Directors to keep abreast with the changes and developments in the marketplace and the corporate regulatory framework.

Directors are briefed and updated at the quarterly meetings by the Company Secretary, Internal and/or External Auditors on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, as well as Financial Reporting Standards.

The following are records on the Directors' participation in additional training programmes during the financial year:

Name of Director	Title of Training Programme
Wong Yoke Nyen	(1) Audit Oversight Board Conversation With Audit Committees
	(2) Technical Analysis Series: Bridging The Gap Between Fundamental Analysis and Technical Analysis
	(3) Get Ready For Next Global Financial Crisis
	(4) Common Breaches Of The Listing Requirements With Case Studies
	(5) 11th Tricor Tax & Corporate Seminar 2015
Woon Yeow Thong	(1) 11th Tricor Tax & Corporate Seminar 2015

In addition to above, Mr Ding PengPeng (the Group's Managing Director/ CEO) is currently enrolled for the Executive Seminars on Business Administration Programme from Huaqiao University, PRC.

The rest of the Directors, while not able to attend a structured training programme during the financial year as they are unable to identify any physical structured training programme that suits their time schedules and language preference, continued to gain updates through the briefings by the Company Secretary, Internal and External Auditors during the quarterly meetings, communications with other Directors as well as their daily work exposures and involvements in chamber of commerce and industry-related association.

All the Directors recognise the importance of continuing professional development and the need for continuous update and training. The Directors will, on a continuing basis, identify suitable training programmes for participation to ensure that they are updated and kept abreast with the developments in the economy, changes in the industry and business environment, new regulatory and financial reporting requirements, essential practices for effective corporate governance, risk management and internal control.

Statement on Corporate Governance _ Cont'd

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting

The Board is committed to providing a balanced, clear and comprehensive assessment of the Group's financial performance, position and prospects in presenting the annual financial statements and quarterly announcements of results to shareholders.

The Board, assisted by the Audit Committee, takes due care and reasonable steps to ensure that the financial results are released to the shareholders and the general public on timely manner and the financial statements are presented with accuracy and adequacy and comply with all relevant regulatory reporting requirements and financial reporting standards.

5.2 Risk Management and Internal Control

The Board recognises the importance of sound risk management and internal control systems, which are necessary to safeguard the Group's assets and shareholders' investment.

To this extent, the Board has adopted a formalised enterprise risk management framework to systematically identify, evaluate and mitigate current and emerging risks that may impede the achievement of the Group's strategic objectives and business strategies. The overall procedures/ flows for the risk management are summarised below:

- (a) Define the processes/ activities to be assessed;
- (b) Determine the relevant financial parameter to measure the impact of a risk event;
- (c) Identify the risks, together with the root cause and the possible impact/ consequence to the Group and the probability of occurrence;
- (d) Identify control procedures that may be effective to manage the risks;
- (e) Risk profiling by summarising all the key risks identified in the risk register, together with the rating on their potential impacts to the Group; and
- (f) Findings are coordinated by the Risk Management Committee and subsequently reported to the Board for review and deliberation.

The key risks are classified into appropriate categories and encompass:

- Internal and external strategic risks
- Financial risks
- Operational risks
- Investor relation risks
- Legal risks

The impact of key risks have been measured, and appropriate internal controls identified, to ensure that they are maintained within acceptable and moderate level.

On-going reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and operations of the Group and ensure that adequate and effective controls are in place. Such continuous review processes are assisted by the Group's appointed professional and independent internal auditors firm, as well as the Risk Management Committee supported by the Company's management team. The findings of the internal auditors are regularly reported to the Audit Committee.

Further information and overview of the state of risk management and internal controls within the Group is disclosed under the "Statement on Risk Management and Internal Control" section and "Audit Committee Report" section of this Annual Report.

Statement on Corporate Governance _ Cont'd

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.3 Relationship with Auditors

With the assistance of the Audit Committee, the Board has established a transparent and appropriate relationship with the Group's External Auditors.

The Board recognises that the Group's independent external auditors serve an essential role in enhancing shareholders' confidence on the reliability of the Group's financial statements by expressing an independent opinion on whether the financial statements give a true and fair view of the Group's financial position and performance to the shareholders.

Further information is disclosed under the "Audit Committee Report" section included within this Annual Report.

The Audit Committee had obtained assurance from its external auditors, Messrs. BDO, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. After having satisfied with the performance of Messrs. BDO and its audit independence, the Audit Committee recommended the re-appointment of Messrs. BDO to the Board for approval by its shareholders at the forthcoming AGM.

6. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board recognises the importance of an effective communication channel between the Board, shareholders, stakeholders and general public and the importance of timely dissemination of information to shareholders, stakeholders and general public and their rights to be updated of the Group's activities and performance to enable them to make informed evaluation and investment decision.

The Company is committed to keeping the shareholders, stakeholders and general public informed of the Group's business developments. To this end, the Group has disseminated relevant information and updates on the Group from time to time via various medium including the annual report, quarterly reports, circulars to the shareholders and other prescribed announcements lodged with Bursa Malaysia in its website at www.bursamalaysia.com to the extent permissible under the Listing Requirements of Bursa Malaysia.

While the Company strives to provide as much information as possible to its shareholders, stakeholders and general public, the Company upholds strict standards of confidentiality with regard to undisclosed material information under all circumstances and remains mindful of the legal and regulatory framework (particularly the Listing Requirements) governing the dissemination of information to shareholders and the general public. The Company has established a corporate disclosure policy to govern the disclosure of material, non-public information in a manner designed to provide broad, non-exclusionary distribution of information so that the public has equal access to the information; and to prevent the abuse of undisclosed material information.

The Company has also established a corporate website under www.xidelang.com.my for shareholders and the public to access for corporate information.

In addition to that, the Board has identified Mr. Zhu GuoHe as the Senior Independent Non-Executive Director to whom queries and concerns regarding the Group may be raised. Nonetheless, shareholders and investors may also direct their queries to other Directors of the Group as the Board operates in an open environment in which information is freely exchanged among the Board members, with due care exercised to safeguard the confidentiality of the information.

Shareholders and the public may contact the Company Secretary and/or the Company's Agent in Malaysia, the contact details of which have been set out under the "Corporate Information" section of this Annual Report, for assistance in conveying their queries and concerns to the Senior Independent Non-Executive Director or any other Directors of the Group.

Statement on Corporate Governance _ Cont'd

6. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Another principal avenue of communication with the shareholders is the Company's AGM and Extraordinary General Meetings (EGM), which provides a useful platform for the shareholders to engage directly with the Board and the Management.

At every meeting, the Board sets out the progress and performance of the Group since the last meeting held. The Company is looking forward to solicit feedbacks and views from its shareholders and answer shareholders' question on all issues pertaining to the Group at the AGM and EGM.

Notice of the AGM and EGM and related papers are forwarded to shareholders with adequate time notice before the meeting. Shareholders are invited and encouraged to attend the Company's AGM and EGM and to actively participate in the proceedings by posing questions on the proposed resolutions and to seek clarification on the Group's business and performance. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

The Board also encourages the shareholders to exercise their rights to demand poll voting in the general meetings, if deemed necessary. During the financial year under review, the Company had not conducted any poll voting as there was no contentious issue raised at the general meetings convened.

RESPONSIBILITY STATEMENT BY THE BOARD

In the course of preparing the annual financial statements for the Group and the Company, the Directors reaffirm that they are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Listing Requirements; and that the financial statements give a true and fair view of the financial position of the Group at the end of the financial year, the financial performance and cash flows of the Group for the financial year ended 31 December 2015.

In preparing the financial statements, the Directors have:

- adopted the Malaysian Financial Reporting Standards and International Financial Reporting Standards;
- applied the appropriate and relevant accounting policies on consistent basis;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on going concern basis; and
- ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also made reasonable steps to safeguard the assets of the Group, and to prevent and detect fraud as well as other irregularities.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board recognises the importance of the principles and recommendations set out in the MCCG 2012. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations promoted by MCCG 2012 where practical and appropriate.

AUDIT COMMITTEE REPORT

COMMITTEE

Wong Yoke Nyen

Chairman / Independent Non-Executive Director

Zhu GuoHe

Member / Senior Independent Non-Executive Director

Woon Yeow Thong

Member / Independent Non-Executive Director

The Audit Committee (“Committee”) is established to assist the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and internal control, and regulatory compliance.

The details of attendance of each member at the Committee meetings held during the financial year ended 31 December 2015 are as follows:

Audit Committee Members	Attendance of Meetings
Wong Yoke Nyen	5/5
Zhu GuoHe	5/5
Woon Yeow Thong	5/5

The representatives of the External Auditors, Internal Auditors and the Management Team were also invited, from time to time, to attend and brief the Committee members on specific issues during the Committee meetings.

The Committee is governed by the following terms of reference:

- **Composition**

The Committee shall comprise not fewer than three directors, each of whom must be Non-Executive Directors and are financially literate with a majority of whom shall be independent. At least one (1) member of the Committee:

- (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years’ working experience and:
 - (a) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) or approved by the Securities Commission.

No alternate director shall be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director.

When the number of members falls below three for whatever reason, the Board shall, within three (3) months of that event, appoint new members as may be required to make up the minimum of three (3) members. The Board shall review the terms of office of the Committee at least once every three (3) years.

Audit Committee Report _ Cont'd

COMMITTEE (CONT'D)

- **Secretary**

The Company Secretary shall be the Secretary of the Committee.

- **Meetings**

The Committee shall meet at least four (4) times a year. However, additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.

The Internal Auditors and/or the External Auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend each Committee meeting.

The Committee must be able to convene meetings with External Auditors without the presence of the Executive Board Members and Management at least twice (2) a year and whenever deemed necessary.

The attendance of any particular Committee meeting by other directors (e.g. Managing Director), other appropriate officer and employees of the Company shall be at the Committee's invitation and discretion and must be specific to the relevant meeting.

The Secretary of the Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of meetings are circulated to the Committee and to all other members of the Board.

Minutes of each meeting shall be kept as part of the statutory records of the Company and a copy shall be distributed to each member of the Committee.

The Committee shall be provided with the meeting agenda and relevant papers at least a week in advance of each meeting.

- **Quorum**

Two (2) members of the Committee shall constitute a quorum at any meeting and majority of members present must be Independent Directors to form a quorum.

- **Responsibilities and Duties**

The Committee, as required by applicable law, rules or regulations and otherwise to the extent it deems necessary or appropriate, shall:

- (1) recommend to the Board on the appointment and re-appointment of the External Auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit;
- (2) discuss with the External Auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (3) review the following and report the same to the Board:
 - (i) with the External Auditors, the audit plan;
 - (ii) with the External Auditors, their audit report;
 - (iii) the assistance given by the employees of the Company and of the Group to the External Auditors and the Internal Auditors;
 - (iv) External Auditor's management letter and management's responses thereto;

Audit Committee Report _ Cont'd

COMMITTEE (CONT'D)

- ***Responsibilities and Duties (Cont'd)***

- (3) review the following and report the same to the Board (Cont'd):
 - (v) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the External Auditors;
 - (vi) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions and management integrity;
 - (vii) any letter of resignation from the External Auditors and questions of resignation or dismissal; and
 - (viii) whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- (4) review the quarterly and year-end financial statements of the Company and of the Group, prior to the approval of the Board, focusing on:
 - (i) any changes in accounting policies and practices;
 - (ii) significant adjustments arising from the audit;
 - (iii) any other significant and unusual events;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirement;
- (5) discuss problems and reservations arising from interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- (6) propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines;
- (7) oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's and the Group's assets from misappropriation and encourage legal and regulatory compliance;
- (8) assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks;
- (9) with respect to the internal audit function:
 - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
 - (iv) approve any appointment or termination of members of the internal audit function;

Audit Committee Report _ Cont'd

COMMITTEE (CONT'D)• ***Responsibilities and Duties (Cont'd)***

- (9) with respect to the internal audit function (Cont'd):
 - (v) take cognisance of resignations of members of internal audit function and provide an opportunity for members to submit reasons for resigning; and
 - (vi) to consider the major findings of internal investigations and management's responses;
- (10) review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- (11) consider and examine any other matters as defined by the Board.

• ***Authority***

The Committee is authorised by the Board to:

- (i) investigate any matter within the scope of the Committee's duties;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to any information in the Company and the Group;
- (iv) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function/activity;
- (v) reserve the rights to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Committee meetings (if required) and to brief the Committee;
- (vi) convene meetings with the External Auditors, the Internal Auditors or both excluding the attendance of other Directors and employees of the Company and of the Group, whenever deemed necessary and such meetings with the External Auditors shall be held at least twice (2) a year; and
- (vii) if necessary, engage the senior management on continuous basis, such as the Chairman, the Managing Director/Chief Executive Officer, the Head of Internal and External Auditors in order to keep informed of matters affecting the Company and the Group.

Audit Committee Report _ Cont'd

SUMMARY OF ACTIVITIES

During the financial year, the Committee has carried out the following duties in accordance with its terms of reference:

(a) Financial Related

- Reviewed the unaudited quarterly financial results and announcements and raised constructive opinions before recommending them to the Board for consideration and approval and the release of the Group's results to Bursa Malaysia.
- Reviewed the annual audited financial statements before recommending them to the Board for consideration and approval, to ensure that the financial reporting and disclosures complied with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, Listing Requirements of Bursa Malaysia, and other relevant legal and regulatory requirements.
- Reviewed the disclosures made within the Annual Report, particularly the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit Committee Report, prior to the Board's approval.
- Reviewed the 3-years financial forecast and business plan and raised constructive opinions on the business strategies and development plans suggested by the Management.

(b) Risk Management and Internal Control

- Reviewed the Internal Audit Services Engagement Letter (renewal for the next 2 years) before recommending it for approval by the Board. In particular, the Committee has requested that the internal audit functions to be conducted at least twice a year.
- Reviewed and approved the audit plan and scope of work of the Internal Auditors.
- Reviewed the Internal Auditors' reports, the findings included therein and Management responses thereto and actions taken to improve the system of internal controls.
- Ensured that appropriate remedial actions and improved procedures were implemented by the Management on the findings arising from the internal audit reviews.
- Recommended that the risk management practices of the Group to be strengthened further, and that the Internal Auditors to be engaged to assist the Risk Management Committee in carrying out the review on risk assessment during the financial year ending 31 December 2016.

(c) External Audit

- Reviewed with the External Auditors the scope of work and audit plan for the year, the results of the annual audit, the audit report and management letter including Management's responses to the findings of the External Auditors, as well as the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.
- Considered the re-appointment of External Auditors (including assessment of their independence and objectivity) and their remunerations, and made appropriate recommendation to the Board.
- Met twice with the External Auditors without the presence of the Executive Directors and Management where it was confirmed that full assistance was given by Management and employees and there was no restriction to the scope of audit.

Audit Committee Report _ Cont'd

SUMMARY OF ACTIVITIES (CONT'D)

(d) Other Activities

- Reviewed the related party transactions of the Group, to ensure that they are based on terms favourable to the Group.
- Reviewed the progress and implementation of the various corporate proposals (bonus issue, employees' share option scheme and the proposed acquisition of the entire business and undertakings of Jinjiang Yangsen Garments Co., Ltd.).

INTERNAL AUDIT FUNCTION

Total Advisors Sdn. Bhd. ("the Internal Auditors"), an external professional firm, has been engaged by the Board to carry out the internal audit function during the financial year under review.

The Internal Auditors report directly to the Committee. The primary role of the internal audit function is to review the effectiveness of the Group's systems on internal control and this is performed with impartiality, proficiency and due professional care. Total internal audit fees incurred in respect of financial year ended 31 December 2015 amounted to RM60,000.

Internal audit function adopts a risk-based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of controls. Internal audit function assists the Committee in discharging its duties and responsibilities with respect to the adequacy and integrity of the systems of internal control within the Group.

Activities carried out by the Internal Auditors during the financial year under review are summarised below:

- Performed independent review on the identified operational functions and processes of the Group, which include Purchasing, Raw Material Store, Sales, Credit Control and Collection, and Finished Goods Store; and issued report on the findings of the internal audit review and highlighted areas for improvement with recommendation of remedial action to the Management which were promptly resolved by the Management.
- Conducted follow-up reviews on issues highlighted in previous audits and assessed the progress of the implementation of the improvement action plans.
- Tabled the relevant internal audit reports directly to the Committee.

For the areas reviewed during the financial year under review, the Internal Auditors have identified good practices are implemented and concluded that overall internal controls are in place and sound due to effective applications and compliance to the Group's policies and procedures, operating and accounting and the applicable regulatory requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance (“the Code”) sets out the principle that the Board of Directors (“the Board”) of a listed issuer should establish a sound risk management framework and internal control system to safeguard shareholders’ investment and assets of the Group.

This Statement on Risk Management and Internal Control (“Statement”) by the Board on the Group is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“MMLR”), and has been prepared in accordance with the Principles and Recommendations relating to risk management and internal controls provided in the Code as well as the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*.

BOARD RESPONSIBILITIES

The Board is committed to fulfilling its ultimate responsibilities for establishing and maintaining a sound risk management framework to manage risks and system of internal control for the Group, and for continual monitoring to ensure the systems of risk management and internal control operate effectively.

The Board is assisted by the Audit Committee, Management and outsourced internal auditors in implementing the Board’s approved policies and procedures on risk and control by identifying and analysing risk information; designing, operating suitable internal controls to manage and control these risks; and monitoring effectiveness of risk management and control activities.

The Board recognise that such risk management and internal control systems are designed to manage the Group’s risks within an acceptable level rather than to eliminate the risk of failure to achieve business objective. Therefore, it can only provide reasonable and not absolute assurance against the risks of material misstatement of management and financial information, or against financial losses and fraud or breaches of laws or regulations.

RISK MANAGEMENT

The Board has adopted a formalised risk management framework to systematically identify, evaluate and mitigate current and emerging risks that may impede the achievement of the Group’s strategic objectives and business strategies.

The Board is assisted by the Risk Management Committee (“RMC”) in reviewing the adequacy and effectiveness of the risk management system. The Management, as an integral part of their overall stewardship responsibilities for the daily operations of the Group, monitor the key risks and action plans identified from time to time. Any weakness or new risk encountered will be reported to the RMC for assessment, and for formulation of appropriate action plans for mitigate where necessary. The findings of the RMC, if any, will then be reported to the Board for deliberation and approval.

Subsequent to the current financial year end, as an initiative to enhance the risk management of the Group, the outsourced internal auditors has been engaged to carry out the risk assessment on the Group.

INTERNAL CONTROL

The Board is committed to articulating, implementing and reviewing the Group’s system of internal control and recognises the importance of an effective internal audit function to continually evaluate and review the adequacy and effectiveness of the Group’s system of internal control.

The key elements of the Group’s system of internal control include:

- The Board and Management have established an organisation structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board committees and various management levels, including authorisation levels and limits for all material aspects of the business;
- Participation and monitoring by the Executive Directors, with discussions and meetings conducted with the various functions/departments to discuss on operational issues and performance as well as to formulate appropriate business strategies and targets in response to the changes in business environment and risks faced by the Group;

Statement on Risk Management and Internal Control _ Cont'd

INTERNAL CONTROL (CONT'D)

- Periodic meetings are held by the Board to discuss on financial and operational matters, with all members of the Board accorded full and unrestricted access to information. The participation by the Independent Non-Executive Directors enables major decisions are subject to appropriate level of independent, objective evaluation;
- A fully independent Audit Committee comprising exclusively Independent Non-Executive Directors is tasked by the Board to assist in reviewing internal control issues identified and evaluating the adequacy and effectiveness of the Group's risk management and internal control systems.

The Audit Committee is accorded full and unrestricted access to both internal and external auditors, as well as the management team. The Audit Committee, assisted by the outsourced internal auditors, hold discussion with the management to deliberate appropriate action plans in addressing the identified internal control issues and report to the Board accordingly;

- The quarterly financial reports and the yearly audited financial statements are reviewed by the Audit Committee, prior to the approvals by the Board; and
- Appropriate financial planning and budgeting control, with 3-years budget submitted to the Board for review and deliberation. The actual results are compared against the annual budget, to facilitate the monitoring of the Group's performance and to ensure that prompt actions are taken in the event of material adverse deviation.

INTERNAL AUDIT FUNCTION

The Board acknowledge the importance of the internal audit function and has engaged the services of an independent professional internal audit firm, Total Advisors Sdn. Bhd., to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit function is responsible to assist the Audit Committee in evaluating and reviewing the adequacy and effectiveness of the Group's system of internal control. To ensure independence, the outsourced internal auditors report directly to the Audit Committee.

During the financial year under review, the internal audit of the Group was carried out in accordance with a risk based two years audit plan approved by the Audit Committee. The review by the internal auditors provides an objective and independent assessment of the adequacy, efficiency and effectiveness of the Group's system of internal control.

The internal auditors' findings are circulated to the Audit Committee at their meetings. The internal audit reports are also circulated to the Management so that they can have a clear picture on the overall status of the control mechanism in place. In addition to that, the internal auditors also carried out follow-up reviews to ensure the recommendations are implemented within the required time frame.

Statement on Risk Management and Internal Control _ Cont'd

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement. As set out in their terms of engagement, the said review procedures were performed in accordance with the Recommended Practice Guide 5 (Revised 2015): *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report* ("RPG 5"), issued by Malaysian Institute of Accountants.

RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*, to be set out, nor is it factually inaccurate.

CONCLUSION

The Board, after due consideration, is of the opinion that the system of internal controls as described in this Statement to be satisfactory and the key risks are maintained at an acceptable level in the context of the Group's business environment.

The Chief Executive Officer, Deputy Chief Executive Officer cum Chief Operating Officer and Executive Director who is in charge of financial management have given assurance to the Board that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects. There were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group during the financial year under review.

Based on the above, the Board is satisfied that the risk management and internal control systems in place for the financial year under review and up to the date of issuance of this Statement is adequate and effective to safeguard the Group's assets and the interests of the shareholders.

This Statement is made in accordance with the resolution of the Board dated 25 March 2016.

ADDITIONAL CORPORATE DISCLOSURE

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

Private placement and rights issue of warrants in 2012

Total gross proceeds raised amounted to RM29.7 million (equivalent to approximately RMB54.78 million). The status of utilisation is as follows:

(In RM)

Purpose	Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation		N1
				Amount RM'000	%	
i) Purchase machinery and equipment for new design and production centre	Before 31 December 2015	29,100	17,509	11,591	39.7	N1
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		29,700	18,109	11,591		

(In RMB)

Purpose	Intended Timeframe	Proposed Utilisation RMB'000	Actual Utilisation RMB'000	Deviation		N1
				Amount RMB'000	%	
i) Purchase machinery and equipment for new design and production centre	Before 31 December 2015	53,670	32,379	21,291	39.7	N1
ii) Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
		54,777	33,486	21,291		

N1 The remaining funds is expected to be fully utilised before 31 December 2016.

Additional Corporate Disclosure _ Cont'd

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES (CONT'D)

Rights Issue in 2014

Total gross proceeds raised amounted to RM84.7 million (equivalent to approximately RMB153.05 million). The status of utilisation is as follows:

(In RM)

Purpose	Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation		
				Amount RM'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	83,700	–	83,700	100	N2
ii) Estimated expenses in relation to the Proposals	Immediate	1,000	1,000	–	–	
		84,700	1,000	83,700		

(In RMB)

Purpose	Intended Timeframe	Proposed Utilisation RMB'000	Actual Utilisation RMB'000	Deviation		
				Amount RMB'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	151,246	–	151,246	100	N2
ii) Estimated expenses in relation to the Proposals	Immediate	1,807	1,807	–	–	
		153,053	1,807	151,246		

N2 The proposed building plan for the construction of the second stage of new Design & Production Centre has been submitted to the relevant authorities in China and is still under their assessment. The Management has been following up with the relevant authorities on a regular basis on this matter. The utilisation for the abovementioned amount is expected to be within three (3) years from the commencement of Stage 2 Construction. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.

Additional Corporate Disclosure _ Cont'd

2. SHARE BUY-BACK

The Company has not purchased any of its own shares during the financial year under review.

3. OPTIONS OR CONVERTIBLE SECURITIES

Warrants

On 20 April 2015, the Company issued 100 new ordinary shares of USD0.03 each ("Share") for cash vide the exercise of 100 detachable Warrants 2012/2015 at exercise price of RM0.35 per warrant on the basis of one (1) new Share for every one (1) warrant exercised pursuant to the Deed Poll dated 15 March 2012.

On 4 August 2015 and 24 August 2015 respectively, the Company issued 1,333 and 18,466 new Shares for cash vide the exercise of 19,799 detachable Warrants 2015/2018 at exercise price of RM0.115 per warrant on the basis of one (1) new Share for every one (1) warrant exercised pursuant to the Deed Poll dated 17 June 2015.

Employees' Share Option Scheme (ESOS)

The ESOS was approved by the shareholders at the Special General Meeting held on 10 April 2015, with the effective date for implementation on 20 April 2015 ("Scheme Effective Date").

The ESOS shall be in force for a duration of five (5) years from the Scheme Effective Date, being the date of full compliance with all relevant requirements stipulated in the Main Market Listing Requirements, and may be extended by the ESOS Committee at its discretion, without having to obtain approval from the shareholders, provided that the initial period of the ESOS and such extension of the ESOS made shall not in aggregate exceed the duration of ten (10) years from the Scheme Effective Date.

There is one (1) ESOS in existence during the financial year ended 31 December 2015, the details as disclosed below:

	From 20 April 2015 (Scheme Effective Date) to 31 December 2015
Granted to Eligible Employees	
Total number of options granted	198,224,000
Total number of options exercised	198,224,000
Total options outstanding	-

Statement by Audit Committee

The Audit Committee has reviewed and verified the allocation of options granted during the financial year under the ESOS of the Company were in accordance with the allocation criteria approved by the ESOS Committee and in compliance with the ESOS By-Laws, as required under Paragraph 8.17 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

No options were granted to the following persons since the commencement of the ESOS and up to 31 December 2015:

- (i) Directors and chief executive;
- (ii) Directors and senior management; and
- (iii) Non-executive directors.

Accordingly, disclosures as required under Paragraph 27(b) to 27(d), Appendix 9C of the MMLR are not applicable to the Company.

Additional Corporate Disclosure _ Cont'd

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

5. SANCTIONS AND / OR PENALTIES

No sanctions and/or penalties were imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

6. NON-AUDIT FEES

During the financial year under review, the Company has incurred a total amount of RMB108,744 for non-audit services rendered by the external auditors.

7. VARIATION IN RESULTS

No profit forecast was announced or published by the Group and hence, no comparison is made between actual and forecast results.

No material difference (exceeding 10% or more) between the results for the financial year under review and the unaudited results previously announced.

8. PROFIT GUARANTEE

No profit guarantee was given by the Company in respect of the financial year.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interests of the Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

10. CONTRACT RELATING TO LOAN BY THE COMPANY

There was no contract relating to loan by the Company.

11. CONFLICT OF INTEREST WITH THE COMPANY

None of the Directors have any conflict of interest with the Group and with the Company.

Additional Corporate Disclosure _ Cont'd

12. RECURRENT RELATED PARTY TRANSACTIONS

On 17 June 2015, the Company obtained approval from the shareholders of the Company to enter into Recurrent Related Party Transactions (“RRPT”) of revenue or trading nature with persons who are considered to be a “Related Party” as defined in the MMLR.

Details of the RRPT during the financial year ended 31 December 2015 are as follows:

Transacting Parties	Interested Related Parties	Nature of Transactions	Actual Value Transacted During The Financial Year
HongPeng (Fujian) and DLH	<i>Interested Directors</i> <ul style="list-style-type: none"> • DLH • DPP • DPW <i>Interested Major Shareholder</i> <ul style="list-style-type: none"> • DPP <i>Interested Person Connected</i> <ul style="list-style-type: none"> • DJX 	Lease of office / factory building on Yang Guang East Road, Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC on monthly basis.	RMB228,800 / RM151,237 [^]
HongPeng (Fujian) and DLH	<i>Interested Directors</i> <ul style="list-style-type: none"> • DLH • DPP • DPW <i>Interested Major Shareholder</i> <ul style="list-style-type: none"> • DPP <i>Interested Person Connected</i> <ul style="list-style-type: none"> • DJX 	Lease of employee dormitory building on Yang Guang East Road, Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC on monthly basis.	RMB39,440 / RM26,070 [^]

[^] Translated at the exchange rate of RMB1: RM0.6610

Explanatory Notes:-

- o DLH refers to Ding LiHong
- o DPP refers to Ding PengPeng
- o DPW refers to Ding PengWan
- o DJX refers to Ding JiaXing

- (1) HongPeng (Fujian) is a wholly-owned subsidiary of XinYuanChan, which in turn is wholly-owned by XiDeLang.
- (2) DLH is the Executive Chairman of XiDeLang. DLH, DPP and DPW are siblings.
- (3) DPP is the Managing Director/ CEO and a Major Shareholder of XiDeLang.
- (4) DPW is the Executive Director/ Deputy CEO cum COO of XiDeLang.
- (5) DJX is the father of DLH, DPP and DPW, thus, is a person connected to DLH, DPP and DPW.

The above RRPTs have ceased with effect from 1 March 2015.

Additional Corporate Disclosure _ Cont'd

13. SUSTAINABILITY REPORTING

Our Group acknowledge the importance of sustainability to the long term growth of the Group's business and operations. To this end, our Group focuses on five core areas of sustainability:



Marketplace

The Group recognise that the continuing success of our business operations is not possible without the efficient and effective functioning of the supply chain, involving the following parties:

- Our Group as the manufacturer of sportswear products and marketer of proprietary sportswear brand;
- Raw materials suppliers and outsourced apparel manufacturers supplying to our Group;
- Authorised distributors and retailers who are responsible to establish an extensive retail coverage for 'XiDeLang' products across China; and
- Customers, consisting of the general public that consumer our proprietary brand products, and trading companies (who act as the agent of overseas sportswear brands) that engage us as the outsourced manufacturer.

Dissatisfaction from any one of the external parties in the supply chain may adversely disrupt our Group's sales and financial performance. As such, our Group place great emphasis in establishing and maintaining positive/ mutually-beneficial relationship with all the parties.

It is the fundamental policy of our Group that all final products launched into the market must not contain any hazardous element, and must be of high quality to ensure customers' satisfaction. "Value-for-money" is the core principle guiding our product development. We uphold the belief that consumer rights should be preserved at all times and are on continuous endeavours to create value-for-money for the customers.

To fulfil our Group's commitment to quality, stringent control and monitoring are implemented throughout the production process. Quality inspection is carried out at various stages of the production, from raw material sourcing through to the packaging and delivery of the finished products.

Additional Corporate Disclosure _ Cont'd

13. SUSTAINABILITY REPORTING (CONT'D)Marketplace (Cont'd)

Our Group value preventive control over detective measures. To this end, we maintain close relationship with our raw material suppliers and outsourced apparel manufacturers to ensure that incoming supplies always conform to our required standard/ quality. In return, we offer the suppliers with recurring orders and prompt payment.

Similarly, our Group foster close collaboration with our authorised distributors and retailers who play the pivotal role in expanding the market coverage of 'XiDeLang' brand products. It is important that the authorised distributors and retailers operate efficiently and profitably, as their performance have direct bearing on our Group's performance. The Management, assisted by the marketing team, maintain regular contacts with the authorised distributors and retailers to gather market insights and consumers' feedback for future improvement. In return, we offer the authorised distributors and retailers with quality products, decent retail profit margin, strategic brand positioning, and continuous brand-building activities. Amid the challenging market conditions and operating environment, our Group coordinate with the authorised distributors and retailers to optimise the retail network, and to minimise the production and delivery lead time so that in-store inventory level can be kept at reasonable level thereby reducing the risk of slow-moving/ excessive stocks.

Workplace

Human capital is pivotal to our Group's continuing success, as our dedicated workforce is key to the effective functioning of all the departments within our Group including but not limited to product design and innovation, production, warehousing and logistics, purchasing, sales and marketing, finance, administrative and other support divisions.

In recognition of that, our Group endeavour to create an inspiring, conducive and pleasant working environment for our employees as part of our policy for talent retention.

It is the Group's policy that production floor must be maintained clean and orderly organised at all times for safety consideration. On-the-job training and guidance are provided to the employees, from time to time, as the need arises.

Considering that majority of our workforce are outstation workers, free accommodation are provided to them. The layout of our Group's headquarter and production centre is delicately designed to be surrounded with greenery and landscaping, in order to provide recreational areas for our workforce to relieve work tension and to promote work-life balance. Also, for the convenience of the employees, canteen has been set up within the factory compound to help them save on the travelling time and cost. We have also established a library/reading corner for our employees to encourage them to enhance their knowledge through routine reading.

On monetary consideration, our Group endeavour to ensure attractive remuneration package is offered to recruit and retain talents. To this end, our Group strive to ensure that the remuneration package offered is in line with the market practice, and include all the staff welfare and benefits prescribed by the applicable labour laws and regulations.

During the financial year under review, we have also organised a free medical check-up and briefing for our female workers to promote awareness on proper birth-planning measures. In addition to that, we have also collaborated with the local enforcement unit to conduct talk on fraud and scam prevention.

Additional Corporate Disclosure _ Cont'd

13. SUSTAINABILITY REPORTING (CONT'D)

Regulatory Compliance

Our Group believe that strict compliance with all relevant laws and regulations is a requisite to promote an ethical and responsible society. To this end, our Group strive to comply with all the relevant laws and regulations applicable to our business operations.

Recognising the fact that tax is an important source of income for the government to finance the nation development activities and that everyone will stand to benefit as the nation and economy progress further, our Group place great emphasis in ensuring compliance with the applicable tax regulations and prompt settlement of our tax liabilities.

Our Group's commitment to proper compliance with laws and regulations has proven to be favourable and value-enhancing for our shareholders and stakeholders, as we minimise the exposure to lawsuits. To-date, our Group has not involved in any significant litigation, arbitration or claims.

Our Group strive to maintain a healthy and positive corporate image, hoping that this would share some effects on introducing ethical values and practices within the society and amongst our workforce.

Environmental Protection

Our Group is committed to minimising impact to the environment and encouraging greater sustainability throughout our business operations. Our environmental protection initiatives include the smart and careful consumption of resources, while minimising possible carbon emissions and waste generation.

Production waste arising out of our Group's production process primarily comprise off-cuts in the process of constructing the bottom part of the shoe, without significant threat of pollutions. Notwithstanding that, careful waste-handling procedures are put in place whereby all the wastes are being gathered and subsequently forwarded to waste collection centres for proper disposal to avoid contaminating surrounding public areas.

We have also embedded the green initiatives into the design of our Group's headquarter and production centre, where we maintain greenery landscape and plants in the surroundings. The extra efforts of our Group in promoting environmental protection have paid off, with our Group's headquarter and production centre accredited as "Green Factory" by the Green Committee of Jinjiang City.

Community Care

Our Group acknowledge that the long term sustainability and growth of our business is dependent on the well-being of the community. All the key elements of our business (customers, suppliers, human capital) are originating from the community.

Our Group is dedicated to contribute to the community, with particular focus on the welfare of old folks and education (crucial element for the development of future generations). During the financial year under review, the Group has carried out the following community care activities:

- (i) Donation to old folks association;
- (ii) Sponsorship for fraud and scam prevention awareness programme organised by the local enforcement body; and
- (iii) Sponsorship to the representatives of Jinjiang Experimental Primary School for their participation in the World Robot Olympiad 2015 at Qatar.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RMB'000	Company RMB'000
Profit/(Loss) for the financial year	6,798	(3,849)
<hr/>		
Attributable to:		
Owners of the parent	6,798	(3,849)
<hr/>		

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

PAR VALUE REDUCTION

During the financial year, the Company completed a par value reduction exercise pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda to reduce the par value of the issued and paid-up share capital of the Company comprising 1,149,497,012 ordinary shares of USD0.10 each to USD0.03 each. As a consequence, the issued and paid up capital of the Company was decreased from RMB699,209,364 to RMB209,762,809.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RMB209,762,809 to RMB246,680,877 by way of:

- (a) issuance of 100 new ordinary shares of USD0.03 each for cash vide the exercise of 100 detachable Warrants 2012/2015 at exercise price of RM0.35 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 15 March 2012;
- (b) issuance of 19,799 new ordinary shares of USD0.03 each for cash vide the exercise of 19,799 detachable Warrants 2015/2018 at exercise price of RM0.115 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 17 June 2015; and

Directors' Report _ Cont'd

ISSUE OF SHARES AND DEBENTURES (CONT'D)

- (c) issuance of 172,424,000 and 25,800,000 new ordinary shares of USD0.03 each for cash pursuant to the exercise of Employees' Share Options Scheme with the exercise price of RM0.115 and RM0.145 respectively.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

There were no issues of debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Options Scheme ("ESOS").

The ESOS of the Company came into effect on 13 May 2015 and 28 July 2015. The ESOS shall be in force for a period of five (5) years ("the option period") from the effective date of the scheme. The main features of the ESOS are as follows:

- Eligible employees are those who are confirmed employees of the Group and have served full time in the Group or under an employment contract for a fixed duration and has been in the employment of the Group for such period;
- The maximum number of options to be offered under the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any point of time during the duration of the scheme;
- The options granted may be exercised any time within the option period from the date of offer;
- The option price of a new ordinary share under the ESOS is based on the five (5)-day volume weighted average market price of the shares immediately preceding the date of offer with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the scheme;
- The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the shares issued rank pari passu in all respects with the existing ordinary shares of the Company; and
- The employees to whom the options have been granted would be given opportunity to participate in the equity of the Company and thereby relate their contribution directly to the performance of the Group.

The details of the options over the ordinary shares of the Company are as follows:

Date of offer	Option price RM	← Number of options over ordinary shares of USD0.03 each →				Outstanding as at 31.12.2015 '000	Exercisable as at 31.12.2015 '000
		Outstanding as at 1.1.2015 '000	Movements during the financial year		Outstanding as at 31.12.2015 '000		
			Granted '000	Exercised '000			
13 May 2015	0.115	–	172,424	(172,424)*	–	–	
28 July 2015	0.145	–	25,800	(25,800)*	–	–	
		–	198,224	(198,224)*	–	–	

* The options granted have been exercised on 11 June 2015 and 6 August 2015 respectively.

Directors' Report _ Cont'd

DIRECTORS

The Directors who have held office since the date of the last report are:

Ding LiHong
 Dato' Mohamed Nazim Bin Abdul Razak
 Ding PengPeng
 Ding PengWan
 Wong Yoke Nyen
 Zhu GuoHe
 Woon Yeow Thong
 Lin YingYu

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year and his beneficial interests in ordinary shares and warrants in the Company during the financial year ended 31 December 2015 as recorded in the Register of Directors' Shareholdings kept by the Company were as follows:

← Number of ordinary shares of USD0.03 each →			
Balance as at 1.1.2015	Bought	Disposed	Balance as at 31.12.2015

Shares in the Company

Indirect interest: Ding PengPeng*	588,324,997	-	(138,324,997)	450,000,000
--------------------------------------	-------------	---	---------------	-------------

← Number of warrants of RM0.35/RM0.115 each →			
Balance as at 1.1.2015	Allotted	Lapsed	Balance as at 31.12.2015

Warrants in the Company

Indirect interest: Ding PengPeng*				
Warrant 2012/2015	81	-	(81) #	-
Warrant 2015/2018	-	149,999,999	-	149,999,999

* By virtue of shares held by HongPeng International Holdings Limited.

The above unexercised warrants lapsed and expired on 24 April 2015.

By virtue of his interests in the ordinary shares of the Company, Ding PengPeng is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and warrants of the Company and of its related corporations during the financial year.

Directors' Report _ Cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

- (i) remuneration received or due and receivable by certain Directors as directors/executives of the subsidiaries; and
- (ii) deemed benefits arising from related party transactions as disclosed in Note 23 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued as disclosed in Note 14(d) to the financial statements.

OTHER INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that provision need not be made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

Directors' Report _ Cont'd

OTHER INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)**(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 18 February 2015, the Company reduced its par value of the issued and paid-up share capital of the Company comprising 1,149,497,012 ordinary shares of USD0.10 each to USD0.03 each pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda;
- (b) On 20 April 2015, the Company issued 100 new ordinary shares of USD0.03 each for cash vide the exercise of 100 detachable Warrants 2012/2015 at exercise price of RM0.35 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 15 March 2012;
- (c) On 4 August 2015 and 24 August 2015, the Company issued 1,333 and 18,466 new ordinary shares respectively of USD0.03 each for cash vide the exercise of 19,799 detachable Warrants 2015/2018 at exercise price of RM0.115 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 17 June 2015;
- (d) On 13 May 2015, the Company granted 172,424,000 shares of ESOS. The ESOS was fully exercised with an exercise price of RM0.115 per share on 11 June 2015; and
- (e) On 28 July 2015, the Company granted 25,800,000 shares of ESOS. The ESOS was fully exercised with an exercise price of RM0.145 per share on 6 August 2015.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 27 January 2016, the Company announced that 1,347,738,911 new ordinary shares of USD0.03 each ("Bonus Share") were issued on the basis of one (1) Bonus Share for every one (1) existing ordinary share held by the entitled shareholders of the Company ("Bonus Issue"). As a consequence of the Bonus Issue:

- (a) 440,619,890 additional Warrants 2015/2018 were issued, on the basis of one (1) Bonus Share for every one (1) existing ordinary share, pursuant to the Deed Poll dated 17 June 2015; and
- (b) 181,499,212 additional Warrants 2014/2017 were issued, on the basis of one (1) Bonus Share for every one (1) existing ordinary share, pursuant to the Deed Poll dated 9 December 2015.

Directors' Report _ Cont'd

ULTIMATE HOLDING COMPANY

The Directors regard HongPeng International Holdings Limited, a company incorporated in British Virgin Islands, as the ultimate holding company.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Ding PengPeng
Director

25 March 2016

Ding PengWan
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 75 to 127 have been drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 to the financial statements on page 128 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Ding PengPeng

Director

Ding PengWan

Director

25 March 2016

STATUTORY DECLARATION

We, **Ding PengWan** and **Lin YingYu**, being the Directors primarily responsible for the financial management of XiDeLang Holdings Ltd, do solemnly and sincerely declare that the financial statements set out on pages 75 to 128 are, to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur this
25 March 2016

Ding PengWan

Lin YingYu

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Xidelang Holdings Ltd

Report on the Financial Statements

We have audited the financial statements of XiDeLang Holdings Ltd, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 75 to 127.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Reporting Responsibilities

The supplementary information set out in Note 31 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Lee Ken Wai
3185/07/17 (J)
Chartered Accountant

25 March 2016

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	569,409	581,051	–	–
Land use rights	8	50,330	51,547	–	–
Investments in subsidiaries	9	–	–	631,916	618,817
		619,739	632,598	631,916	618,817
Current assets					
Inventories	10	7,179	11,091	–	–
Trade and other receivables	11	265,204	138,514	198,350	162,054
Current tax assets		1,942	–	–	–
Cash and bank balances	12	508,649	517,914	16	818
		782,974	667,519	198,366	162,872
TOTAL ASSETS		1,402,713	1,300,117	830,282	781,689
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	246,681	699,209	246,681	699,209
Reserves	14	996,981	485,650	581,475	80,791
TOTAL EQUITY		1,243,662	1,184,859	828,156	780,000
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	15	19,546	19,014	–	–
Current liabilities					
Trade and other payables	16	129,505	84,650	2,126	1,689
Borrowings	17	10,000	10,000	–	–
Current tax liabilities		–	1,594	–	–
		139,505	96,244	2,126	1,689
TOTAL LIABILITIES		159,051	115,258	2,126	1,689
TOTAL EQUITY AND LIABILITIES		1,402,713	1,300,117	830,282	781,689

These financial statements have been approved by the Board of Directors of the Company on 25 March 2016.

Ding PengPeng
Director

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	18	544,812	530,035	–	–
Cost of sales		(441,619)	(399,284)	–	–
Gross profit		103,193	130,751	–	–
Other income		2,748	4,309	70	2,063
Distribution costs		(933)	(1,101)	–	–
Administrative and other expenses		(92,078)	(66,157)	(3,919)	(2,298)
Finance costs		(560)	(594)	–	–
Profit/(Loss) before tax	19	12,370	67,208	(3,849)	(235)
Tax expense	20	(5,572)	(17,629)	–	–
Profit/(Loss) for the financial year		6,798	49,579	(3,849)	(235)
Other comprehensive income		–	–	–	–
Total comprehensive income/(loss)		6,798	49,579	(3,849)	(235)
Profit/(Loss) attributable to: Owners of the parent		6,798	49,579	(3,849)	(235)
Total comprehensive income/ (loss) attributable to: Owners of the parent		6,798	49,579	(3,849)	(235)
Earnings per ordinary share attributable to equity holders of the Company (RMB):					
Basic	26	0.0027	0.0219		
Diluted	26	0.0027	0.0219		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

Group	← Non-distributable					→ Distributable				
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Warrant reserve RMB'000	Statutory surplus reserve RMB'000	Merger deficit RMB'000	Exchange translation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000	
Balance at 1 January 2014	488,281	(1)	-	25,151	29,463	(204,906)	(17,626)	661,865	982,227	
Effects on conversion of functional currency	(45,246)	-	-	(2,835)	-	-	51,027	(2,946)	-	
Profit for the financial year	443,035	(1)	-	22,316	29,463	(204,906)	33,401	658,919	982,227	
Other comprehensive income, net of tax	-	-	-	-	-	-	-	49,579	49,579	
Total comprehensive income	-	-	-	-	-	-	-	49,579	49,579	
Transactions with owners										
Ordinary shares issued pursuant to:										
- Rights issue	146,385	-	6,668	-	-	-	-	-	153,053	
- Bonus issue	109,789	-	(6,668)	-	-	-	-	(103,121)	-	
Transfer to statutory reserve	-	-	-	-	5,571	-	-	(5,571)	-	
Free warrants pursuant to the rights issue	-	-	-	25,369	-	-	-	(25,369)	-	
Total transactions with owners	256,174	-	-	25,369	5,571	-	-	(134,061)	153,053	
Balance at 31 December 2014	699,209	(1)	-	47,685	35,034	(204,906)	33,401	574,437	1,184,859	

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Change in Equity _ Cont'd

Group	Non-distributable					Distributable					Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Warrant reserve RMB'000	Statutory surplus reserve RMB'000	Merger deficit RMB'000	Exchange translation reserve RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2015	699,209	(1)	-	-	47,685	35,034	(204,906)	33,401	-	574,437	1,184,859
Profit for the financial year	-	-	-	-	-	-	-	-	-	6,798	6,798
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	6,798	6,798
Transactions with owners											
Transfer to statutory reserve	-	-	-	-	-	1,398	-	-	-	(1,398)	-
Share options granted under ESOS	-	-	-	-	-	-	-	-	13,099	-	13,099
Ordinary shares issued pursuant to:											
- Exercise of ESOS	36,914	-	15,087	-	-	-	-	-	(13,099)	-	38,902
- Exercise of warrants	4	-	-	-	-	-	-	-	-	-	4
Par value reduction	(489,446)	-	-	489,446	-	-	-	-	-	-	-
Unexecised warrants lapsed	-	-	-	-	(23,710)	-	-	-	-	23,710	-
Total transactions with owners	(452,528)	-	15,087	489,446	(23,710)	1,398	-	-	-	22,312	52,005
Balance at 31 December 2015	246,681	(1)	15,087	489,446	23,975	36,432	(204,906)	33,401	-	603,547	1,243,662

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

Company	← Non-distributable			→ Distributable			Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Warrant reserve RMB'000	Exchange translation reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2014	488,281	(1)	-	25,151	(8,691)	164,778	669,518
Effects on conversion of functional currency	(45,246)	-	-	(2,835)	8,691	(2,946)	(42,336)
	443,035	(1)	-	22,316	-	161,832	627,182
Loss for the financial year	-	-	-	-	-	(235)	(235)
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(235)	(235)
Transactions with owners							
Ordinary shares issued pursuant to:							
- Rights issue	146,385	-	6,668	-	-	-	153,053
- Bonus issue	109,789	-	(6,668)	-	-	(103,121)	-
Free warrants pursuant to the rights issue	-	-	-	25,369	-	(25,369)	-
Total transactions with owners	256,174	-	-	25,369	-	(128,490)	153,053
Balance at 31 December 2014	699,209	(1)	-	47,685	-	33,107	780,000

The accompanying notes form an integral part of the financial statements.

Statement of Change in Equity _ Cont'd

Company	Note	Non-distributable				Distributable				Total equity RMB'000
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Share redemption reserve RMB'000	Warrant reserve RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	Share RMB'000	
Balance at 1 January 2015		699,209	(1)	-	-	47,685	-	33,107	-	780,000
Loss for the financial year		-	-	-	-	-	-	(3,849)	-	(3,849)
Other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	-	(3,849)	-	(3,849)
Transactions with owners										
Share options granted under ESOS		-	-	-	-	-	13,099	-	-	13,099
Ordinary shares issued pursuant to:										
- Exercise of ESOS	13	36,914	-	15,087	-	-	(13,099)	-	-	38,902
- Exercise of warrants	13	4	-	-	-	-	-	-	-	4
Par value reduction	13	(489,446)	-	-	489,446	-	-	-	-	-
Unexercised warrants lapsed		-	-	-	-	(23,710)	-	23,710	-	-
Total transactions with owners		(452,528)	-	15,087	489,446	(23,710)	-	23,710	-	52,005
Balance at 31 December 2015		246,681	(1)	15,087	489,446	23,975	-	52,968	-	828,156

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		12,370	67,208	(3,849)	(235)
Adjustments for:					
Amortisation of land use rights	8	1,217	1,217	-	-
Depreciation of property, plant and equipment	7	13,903	13,692	-	-
Interest expense		560	594	-	-
Interest income		(2,095)	(1,891)	-	(94)
Inventories written off	10	61	116	-	-
Loss on disposal of property, plant and equipment		409	-	-	-
Property, plant and equipment written off	7	61	-	-	-
Share options granted under ESOS		13,099	-	-	-
Unrealised (gain)/loss on foreign exchange		(24)	253	(24)	(1,959)
Operating profit/(loss) before working capital changes		39,561	81,189	(3,873)	(2,288)
Changes in working capital:					
Inventories		3,850	(925)	-	-
Trade and other receivables		(126,690)	68,651	-	-
Trade and other payables		44,909	(42,849)	491	(891)
Cash (used in)/generated from operations		(38,370)	106,066	(3,382)	(3,179)
Income tax paid		(8,576)	(25,563)	-	-
Net cash (used in)/from operating activities		(46,946)	80,503	(3,382)	(3,179)

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows _ Cont'd

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayments from/(Advances to) a subsidiary		–	–	2,605	(152,085)
Interest received		2,095	1,891	–	94
Proceeds from disposal of property, plant and equipment		134	–	–	–
Purchase of property, plant and equipment	7	(2,865)	(6,537)	–	–
Net cash (used in)/from investing activities		(636)	(4,646)	2,605	(151,991)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		10,000	10,000	–	–
Interest paid		(560)	(594)	–	–
Proceeds from issuance of ordinary share		–	153,053	–	153,053
Proceeds from exercise of:					
- ESOS		39,485	–	–	–
- Warrants		4	–	4	–
Repayments of borrowings		(10,000)	(10,000)	–	–
Net cash from financing activities		38,929	152,459	4	153,053
Net (decrease)/increase in cash and cash equivalents		(8,653)	228,316	(773)	(2,117)
Effect of changes in exchange rate		(612)	(275)	(29)	1,937
Cash and cash equivalents at beginning of financial year		517,914	289,873	818	998
Cash and cash equivalents at end of financial year	12	508,649	517,914	16	818

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE INFORMATION

The Company (喜得狼控股有限公司) is incorporated in Bermuda under the Bermuda Companies Act as an exempt company limited by shares and registered as a foreign company in Malaysia under the Malaysian Companies Act, 1965 and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company in Bermuda is located at Clarendon House, 2, Church Street, Hamilton HM11, Bermuda. The registered office of the Company in Malaysia is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal places of business of the Company are located at XiDeLang Industry Park, Neikeng Town, Jinjiang City, Fujian Province, the Peoples' Republic of China ("PRC").

The ultimate holding company of the Company is HongPeng International Holdings Limited, a company incorporated in the British Virgin Islands.

The financial statements are presented in Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated. The functional currency of the Company and its subsidiaries in PRC are RMB.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 25 March 2016.

The English names of certain companies/parties referred to in the financial statements represent unofficial translation of their registered Chinese names by management and these English names have not been legally adopted by these entities.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 75 to 127 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"). However, Note 31 to the financial statements set out on page 128 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Intragroup balances, transactions, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

(i) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts at the combination date.

In the consolidated financial statements of the merged enterprise, the cost of the merger would be cancelled against the nominal values of the shares/paid-up capital received. The difference between the cost of the merger and nominal values of the shares/paid-up capital received will remain and continue to be classified as part of equity of the Group and will be adjusted against suitable reserve in future, where appropriate. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

(ii) Business combination involving entities not under common control

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.2 Basis of consolidation (Cont'd)**

- (ii) Business combination involving entities not under common control (Cont'd)

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Property, plant and equipment and depreciation (Cont'd)

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Factory buildings and warehouse	2.26%
Staff accommodation and amenities	2.26%
Infrastructure	2.26%
Plant and machinery	10%
Electronic equipment	10% - 33.33%
Motor vehicles	10%
Furniture, fitting and other equipment	10% - 20%

Construction-in-progress represents building under construction and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.6 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Leases

(a) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(b) Leases of land

Land use rights represent up-front payment to acquire long-term interests in the usage of land and are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated to write off the cost of the land use rights, using the straight-line method, over the period of the lease term. For clarity purpose, the Group has presented the related leased assets under a separate line item - "Land use rights" in the statements of financial position.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.5 Investments in subsidiaries**

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

Equity loan

Equity loan represents non-trade loan granted by the Company to a subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future and is intended to provide the subsidiary with a long-term source of additional capital. It is, in substance, an addition to the investment in the subsidiary of the Company and accordingly, is accounted for in accordance with MFRS 127 *Separate Financial Statements* as part of the investment in the subsidiary and measured at cost.

4.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries) and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately. An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average formula. The cost of raw materials comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress includes the cost of raw materials and a proportion of production overheads. The cost of finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.8 Financial instruments (Cont'd)**

(a) Financial assets (Cont'd)

(i) Financial assets at fair value through profit or loss (Cont'd)

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other expenses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividend on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.8 Financial instruments (Cont'd)****(b) Financial liabilities (Cont'd)**

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Financial instruments (Cont'd)

(c) Equity (Cont'd)

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.9 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.11 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.12 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.13 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by subsidiaries incorporated in PRC on distributions to the immediate holding company incorporated or domiciled outside PRC, and real property gains taxes payable on disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes) and real property gains taxes payable on disposal of properties, if any.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Income taxes (Cont'd)

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

(c) Withholding taxes

Withholding taxes, which are payable by subsidiaries incorporated in PRC on distribution of earnings to the immediate holding company incorporated or domiciled outside PRC, are deducted from the dividend paid and payable to the foreign holding company and are included as part of current tax liabilities in the statements of financial position. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of each reporting period.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.14 Employee benefits****(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

Pursuant to the relevant laws and regulations of PRC, the Group has participated in a basic pension insurance for the employees arranged by local Labour and Social Security Bureau, whereby the subsidiaries incorporated in PRC make contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services. When employees retire, the local Labour and Social Security Bureau shall be responsible for the payment of the basic pension benefits to the retired employees.

(c) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements of the Group and the Company are presented in RMB, which is the functional and presentation currency of the Group and the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currencies at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statements of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.16 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4.17 Intangible assets

Research expenditure including the design and production of prototypes of new samples are charged to profit or loss in the financial year in which it is incurred.

4.18 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Operating segments (Cont'd)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) The combined reported profit of all operating segments that did not report a loss; and
 - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purpose.

4.19 Earning per share

- (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

- (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.20 Fair value measurements

The fair value of an asset or a liability (except for share-based payment) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

Notes to the Financial Statements _ Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.20 Fair value measurements (Cont'd)**

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs**5.1 New MFRS adopted during the financial year**

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 2014

The adoption of the above Standards had no material impact on the financial statements of the Group and the Company.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012 - 2014 Cycle</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

Notes to the Financial Statements _ Cont'd

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) Deferred tax on undistributed earnings

The Group is subject to withholding tax on dividend in the tax jurisdiction in PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividend distributed to a foreign investor by Foreign Invested Enterprises ("FIE") incorporated in PRC would be subject to a withholding tax of 5% to 10%. PRC tax authorities have granted a special tax concession which states that from 1 January 2008 onwards, dividend distributed out of a FIE's profit arising in year 2008 and beyond, to be distributed to the foreign investors as dividend shall be subject to withholding tax of 10%, which is subject to reduction as provided by the applicable double taxation treaty.

According to the Arrangement Between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Tax Evasion ("Arrangement for Avoidance of Double Taxation"), withholding tax on dividend to a Hong Kong company, which owns directly at least 25% of the capital of the subsidiary in PRC, is 5%, whereas in any other case, 10% of the dividend.

During the financial year, the Directors have reconsidered the above tax exposure in light of the dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the share of net assets of PRC subsidiaries and the tax base of the Group's cost of investments in the subsidiaries based on the prevailing applicable withholding tax rate of 5%.

(b) Land use rights

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*. For clarity purpose, the Group has presented the related leased assets under a separate line item - "Land use rights" in the statements of financial position.

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired at the end of each reporting period. If an indication of impairment exists, the recoverable amount is estimated. Recoverable amount of an asset or cash generating unit ("CGU") is the higher of its fair value less cost to sell and its value in use.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

Notes to the Financial Statements _ Cont'd

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**6.3 Key sources of estimation uncertainty (Cont'd)**

(b) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these property, plant and equipment as disclosed in Note 4.3 to the financial statements. The useful lives are based on the historical experience of the Group with similar assets and taking into account anticipated technological changes. The depreciation charge for future period is adjusted if there are significant changes from previous estimates.

(c) Income taxes

The Group has exposures to income taxes in PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes would be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences would impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying value of receivables.

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recoverable. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(f) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 25 to the financial statements.

(g) Impairment of investments in subsidiaries

Management reviews the investments in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries are assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

Notes to the Financial Statements _ Cont'd

7. PROPERTY, PLANT AND EQUIPMENT

Group	Factory buildings and warehouse RMB'000	Staff accommodation and amenities RMB'000	Infrastructure RMB'000	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fitting and other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Carrying amount									
At 1 January 2015	287,683	204,364	43,434	14,609	1,121	1,188	10,734	17,918	581,051
Additions	-	-	-	2,145	-	-	720	-	2,865
Disposals	-	-	-	(527)	(3)	-	(13)	-	(543)
Written off	-	-	-	(50)	(2)	-	(9)	-	(61)
Depreciation charge for the financial year	(6,078)	(4,318)	(918)	(1,516)	(114)	(159)	(800)	-	(13,903)
At 31 December 2015	281,605	200,046	42,516	14,661	1,002	1,029	10,632	17,918	569,409
At 31 December 2015									
Cost	298,826	212,279	45,116	18,898	1,471	1,754	12,445	17,918	608,707
Accumulated depreciation	(17,221)	(12,233)	(2,600)	(4,237)	(469)	(725)	(1,813)	-	(39,298)
Carrying amount	281,605	200,046	42,516	14,661	1,002	1,029	10,632	17,918	569,409

Notes to the Financial Statements _ Cont'd

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Factory buildings and warehouse RMB'000	Staff accommodation and amenities RMB'000	Infrastructure RMB'000	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fitting and other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Carrying amount									
At 1 January 2014	293,761	208,681	44,352	11,114	1,230	1,345	9,805	17,918	588,206
Additions	-	-	-	4,873	2	-	1,662	-	6,537
Depreciation charge for the financial year	(6,078)	(4,317)	(918)	(1,378)	(111)	(157)	(733)	-	(13,692)
At 31 December 2014	287,683	204,364	43,434	14,609	1,121	1,188	10,734	17,918	581,051
At 31 December 2014									
Cost	298,826	212,279	45,116	20,873	1,554	1,754	11,953	17,918	610,273
Accumulated depreciation	(11,143)	(7,915)	(1,682)	(6,264)	(433)	(566)	(1,219)	-	(29,222)
Carrying amount	287,683	204,364	43,434	14,609	1,121	1,188	10,734	17,918	581,051

(a) At the end of the reporting period, factory buildings and warehouse, staff accommodation and amenities, infrastructure and construction-in-progress with total carrying amounts of RMB542,085,000 (2014: RMB553,399,000) have been charged to licensed banks for banking facilities granted to the Group.

(b) Construction-in-progress represents construction costs incurred for the corporate office.

Notes to the Financial Statements _ Cont'd

8. LAND USE RIGHTS

	Group	
	2015 RMB'000	2014 RMB'000
Carrying amount		
At 1 January	51,547	52,764
Amortisation charge for the financial year	(1,217)	(1,217)
At 31 December	50,330	51,547
Cost	60,860	60,860
Accumulated amortisation	(10,530)	(9,313)
Carrying amount	50,330	51,547

- (a) The Group was granted land use rights for a period of fifty (50) years in relation to the lands situated in PRC.
- (b) During the financial year, land use rights with carrying amount of RMB45,087,000 (2014: RMB46,174,000) have been charged to licensed banks for the banking facilities granted to the Group.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	194,712	194,712
Equity loan to a subsidiary	437,204	424,105
	631,916	618,817

During the financial year, the Directors of the Company assessed the nature of the amount owing by a subsidiary and determined a portion of the outstanding balance of the amount owing by a subsidiary amounting to RMB437,204,000 (2014: RMB424,105,000) shall constitute an equity loan to the subsidiary, which is unsecured, interest-free and is considered to be part of the net investment in foreign operation of the Company.

Notes to the Financial Statements _ Cont'd

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2015	2014	
Hong Kong XinYuanChan International Holdings Co., Limited ("XinYuanChan") #	Hong Kong Special Administrative Region ("HK SAR")	100%	100%	Investment holding
Subsidiary of XinYuanChan				
HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HPFJ") #	PRC	100%	100%	Design, manufacturing and marketing of sports apparel, accessories and equipment of sports shoes as well as design and marketing
Subsidiaries of HPFJ				
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("CDHP") #	PRC	100%	100%	Design, manufacturing and marketing of sports shoes
XiDeLang Sports Goods Co., Ltd. ("XDLSG") #	PRC	100%	100%	The registered scope of business under its business license is manufacturing of shoes and apparel. It is the registered owner of the proprietary of the Group "XiDeLang" brand

Subsidiaries not audited by BDO.

10. INVENTORIES

	Group	
	2015 RMB'000	2014 RMB'000
At cost		
Raw materials	1,365	624
Work-in-progress	852	2,738
Finished goods	4,962	7,729
	7,179	11,091

During the financial year, the Group wrote off inventories of RMB61,000 (2014: RMB116,000), which were included in cost of sales.

Cost of inventories of the Group recognised as an expense during the financial year amounted to RMB373,525,000 (2014: RMB334,734,000).

Notes to the Financial Statements _ Cont'd

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade receivables				
Third parties	264,358	138,514	–	–
Other receivable				
Amount owing by a subsidiary	–	–	198,350	162,054
Loans and receivables	264,358	138,514	198,350	162,054
Prepayments	846	–	–	–
	265,204	138,514	198,350	162,054

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group is one hundred and twenty days (120) days (2014: ninety (90) days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Amount owing by a subsidiary is unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (c) The currency exposure profiles of receivables are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Renminbi	264,358	138,514	–	–
Ringgit Malaysia	–	–	198,350	162,054
	264,358	138,514	198,350	162,054

- (d) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	216,672	138,514
Past due, not impaired		
1 to 30 days	33,167	–
31 to 60 days	14,519	–
	47,686	–
	264,358	138,514

Notes to the Financial Statements _ Cont'd

11. TRADE AND OTHER RECEIVABLES (CONT'D)

- (d) The ageing analysis of trade receivables of the Group are as follows (Cont'd):

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationships, in which management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

- (e) The credit quality of trade receivables as at the end of reporting period were assessed as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Counterparties without external credit ratings		
Group A	21,505	3,318
Group B	242,853	135,196
	264,358	138,514

Group A refers to new customers that started business with the Group less than twelve (12) months.

Group B refers to existing customers who have been with the Group more than twelve (12) months and with no defaults in the past.

- (f) Information on financial risks of trade and other receivables is disclosed in Note 25 to the financial statements.

12. CASH AND BANK BALANCES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash in hand	76	86	-	-
Cash at bank	508,573	517,828	16	818
	508,649	517,914	16	818

- (a) Information on financial risks of cash and bank balances is disclosed in Note 25 to the financial statements.

Notes to the Financial Statements _ Cont'd

12. CASH AND BANK BALANCES (CONT'D)

(b) The currency exposure profiles of cash and bank balances are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Renminbi	508,605	516,522	–	–
Ringgit Malaysia	16	818	16	818
US Dollar	28	574	–	–
Hong Kong Dollar	*(1)	*(1)	–	–
As per statements of financial position	508,649	517,914	16	818

*(1) Represent RMB80 (2014: RMB80).

13. SHARE CAPITAL

	Number of shares '000	Group and Company				
		2015 USD'000	RMB'000	2014 Number of shares '000	2014 USD'000	RMB'000
Ordinary shares of USD0.03/USD0.10 each:						
Authorised ordinary shares	10,000,000	300,000	1,828,467	3,000,000	300,000	1,828,467
Issued and fully paid ordinary shares:						
Balance as at 1 January	1,149,497	114,950	699,209	725,998	72,600	488,281 [^]
Effect on conversion of functional currency	–	–	–	–	–	(45,246)
	1,149,497	114,950	699,209	725,998	72,600	443,035 [*]
Transfer to capital redemption reserve pursuant to par value reduction (Note 14)	–	(80,465)	(489,446)	–	–	–
Issuance pursuant to:						
- employee share options scheme (Note 22)	198,224	5,946	36,914	–	–	–
- warrants	19	1	4	–	–	–
- rights issue	–	–	–	241,999	24,200	146,385
- bonus issue	–	–	–	181,500	18,150	109,789
Balance as at 31 December	1,347,740	40,432	246,681	1,149,497	114,950	699,209

Notes to the Financial Statements _ Cont'd

13. SHARE CAPITAL (CONT'D)

- [^] Ordinary share capital of the Company was converted at the historical rate of RMB6.8305/USD on 9 July 2009, RMB6.8278/USD on 11 November 2009, RMB6.5846/USD on 19 January 2011 and RMB6.5947/USD on 2 February 2011, RMB6.2966/USD on 22 February 2012 and RMB6.2960/USD on 1 March 2012, and RMB6.6540/USD on 30 March 2012 respectively.
- ^{*} Ordinary share capital of the Company was converted at the rate of the date of change of functional currency of RMB6.1024/USD.
- (a) During the financial year, the Company completed a par value reduction exercise pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda to reduce the par value of the issued and paid-up share capital of the Company comprising 1,149,497,012 ordinary shares of USD0.10 each to USD0.03 each. As a consequence, the issued and paid up capital of the Company was decreased from RMB699,209,364 to RMB209,762,809.
- (b) During the financial year, the issued and paid-up share capital of the Company was increased from RMB209,762,809 to RMB246,680,877 by way of:
- (i) issuance of 100 new ordinary shares of USD0.03 each for cash vide the exercise of 100 detachable Warrants 2012/2015 at exercise price of RM0.35 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 15 March 2012;
 - (ii) issuance of 19,799 new ordinary shares of USD0.03 each for cash vide the exercise of 19,799 detachable Warrants 2015/2018 at exercise price of RM0.115 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 17 June 2015; and
 - (iii) issuance of 172,424,000 and 25,800,000 new ordinary shares of USD0.03 each for cash pursuant to the exercise of Employees' Share Options Scheme with the exercise price of RM0.115 and RM0.145 respectively.
- (c) In the previous financial year, the issued and paid-up share capital of the Company was increased from RMB488,281,461 to RMB699,209,364 by way of:
- (i) rights issue of 241,998,950 new ordinary shares of USD0.10 each ("Rights Share") at an issue price of RM0.35 per Rights Share for cash on the basis of four (4) Rights Share for every twelve (12) existing ordinary shares held; and
 - (ii) bonus issue of 181,499,212 new ordinary shares of USD0.10 each ("Bonus Share") on the basis of three (3) Bonus Share for every twelve (12) existing ordinary shares held.
- (d) The owners of the parent are entitled to receive dividend as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

Notes to the Financial Statements _ Cont'd

14. RESERVES

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Non-distributable:					
Treasury shares	(a)	(1)	(1)	(1)	(1)
Share premium	(b)	15,087	–	15,087	–
Capital redemption reserve	(c)	489,446	–	489,446	–
Warrant reserve	(d)	23,975	47,685	23,975	47,685
Statutory surplus reserve	(e)	36,432	35,034	–	–
Merger deficit reserve	(f)	(204,906)	(204,906)	–	–
Exchange translation reserve	(g)	33,401	33,401	–	–
Distributable:					
Retained earnings		603,547	574,437	52,968	33,107
		996,981	485,650	581,475	80,791

(a) Treasury shares

On 26 August 2010, the Company repurchased 1,000 units of its issued shares from the open market at an average price of RM0.48 per share. The repurchased shares were financed by internally generated fund. The shares repurchased are being held as treasury shares.

(b) Share premium

Share premium arose from the proceeds in excess of the nominal value of shares issued from exercised of Employees' Share Option Scheme during the current financial year.

(c) Capital redemption reserve

Capital redemption reserve represents reserve arising from par value reduction. This capital reserve would be used in subsequent bonus issue of shares.

(d) Warrant reserve

Warrant reserve represents the fair value assigned to the Warrants 2012/2015 and Warrants 2014/2017 of RM0.500 and RM0.731 respectively. The fair value was determined using the Black-Scholes-Merton option pricing model.

The warrant reserve would be transferred to the share premium account upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrants would be transferred to retained earnings.

The salient features of the Warrants 2012/2015 and Warrants 2014/2017 are as follows:

- (i) Each Warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, subject to adjustment in accordance with the provision of the Deed Poll;
- (ii) The exercise price of each warrant has been fixed at RM0.35, subject to adjustment under certain circumstances in accordance with the provision of the Deed Poll; and
- (iii) The Warrants shall be exercisable at any time within a period of three (3) years including and commencing from the issue date up to the expiry date.

Notes to the Financial Statements _ Cont'd

14. RESERVES (CONT'D)

(d) Warrant reserve (Cont'd)

During the financial year, the unexercised Warrants 2012/2015 lapsed and expired on 24 April 2015. Accordingly, the warrant reserve arose from Warrants 2012/2015 was transferred to retained earnings upon expiry of the warrants.

As at 31 December 2015, unexercised warrants of the Company are as follows:

Date granted	Exercise price RM	No. of warrants over ordinary shares '000	Warrant expiry date
23 January 2014	0.35	181,500	22 January 2017

(e) Statutory surplus reserve

Pursuant to applicable PRC regulations, the subsidiaries of the Company incorporated in PRC are required to allocate 10% of their net profit for the financial year (after offsetting prior financial year losses, if any) to the statutory surplus reserve until it reaches 50% of their registered capital respectively. The transfer to the reserve must be made before distribution of dividend to equity holders. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the respective subsidiaries, provided that the balance after such issue is not less than 25% of its registered capital.

(f) Merger deficit

The merger deficit arose from the merger of XinYuanChan based on the difference between the amount recorded as cost of merger, which comprised the share capital issued by the Company of USD30,000,000 (RMB204,915,000), and the nominal value of XinYuanChan's share capital merged under the pooling of interest method of accounting as follows:

	Group RMB'000
Cost of merger	204,915
Less: Share capital of XinYuanChan (HKD10,000)	(9)
Merger deficit	204,906

(g) Exchange translation reserve

The exchange translation reserve represents exchange differences arising from Company's investment in foreign operation and monetary items which form part of the Group's net investment in foreign operation.

Notes to the Financial Statements _ Cont'd

15. DEFERRED TAX LIABILITIES

The deferred tax liabilities of the Group are made up of the following:

	Taxable temporary differences RMB'000	Total RMB'000
Balance as at 1 January 2015	19,014	19,014
Recognised in profit or loss (Note 20)	532	532
Balance as at 31 December 2015	19,546	19,546
Balance as at 1 January 2014	20,970	20,970
Recognised in profit or loss (Note 20)	(1,956)	(1,956)
Balance as at 31 December 2014	19,014	19,014

The Group is subject to income taxes in the tax jurisdiction in PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividend distributed to a foreign investor by Foreign Invested Enterprises ("FIE") incorporated in PRC would be subject to a withholding tax of 5% to 10%. PRC tax authorities have granted a special tax concession which states that from 1 January 2008 onwards, dividend distributed out of a FIE's profit arising in year 2008 and beyond, to be distributed to the foreign investors as dividend shall be subject to withholding tax.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade payables				
Third parties	100,743	62,523	-	-
Other payables and accruals				
Amount owing to a Director	986	477	881	411
Other payables	12,438	8,303	-	-
Accruals	15,338	13,347	1,245	1,278
	28,762	22,127	2,126	1,689
	129,505	84,650	2,126	1,689

- (a) Trade payables are non-interest bearing and the normal trade credit term granted to the Group is ninety (90) days (2014: ninety (90) days).
- (b) Amount owing to a Director represents advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

Notes to the Financial Statements _ Cont'd

16. TRADE AND OTHER PAYABLES (CONT'D)

(c) The currency exposure profiles of payables are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Renminbi	127,643	83,034	264	72
Ringgit Malaysia	1,862	1,616	1,862	1,617
	129,505	84,650	2,126	1,689

(d) Information on financial risks of trade and other payables is disclosed in Note 25 to the financial statements.

17. BORROWINGS

	Group	
	2015 RMB'000	2014 RMB'000
Secured		
Short term bank loans	10,000	10,000

- (a) The short term bank loans are secured by factory buildings and warehouse, infrastructure and land use rights with carrying amount of RMB281,605,000 (2014: RMB287,683,000), RMB21,258,000 (2014: RMB21,717,000) and RMB21,620,000 (2014: RMB22,142,000) respectively.
- (b) On 28 September 2013, the Group obtained a 5-year term loan facility amounting to RMB130,000,000 from a bank. The term loan facility is secured by factory buildings and warehouse, infrastructure and land use rights with carrying amount of RMB281,605,000 (2014: RMB287,683,000), RMB21,258,000 (2014: RMB21,717,000) and RMB21,620,000 (2014: RMB22,142,000) respectively. The credit facility has yet to be utilised as at the end of the financial year.
- (c) On 23 September 2014, the Group obtained credit facilities from a bank up to RMB96,270,000. The credit facilities are secured by staff accommodation and amenities, infrastructure, construction-in-progress and land use rights with carrying amount of RMB200,046,000 (2014: RMB204,364,000), RMB21,258,000 (2014: RMB21,717,000), RMB17,918,000 (2014: RMB17,918,000) and RMB23,467,000 (2014: RMB24,032,000) respectively. The credit facilities have yet to be utilised as at the end of the financial year.
- (d) All borrowings are denominated in RMB.
- (e) Information on financial risks of borrowings is disclosed in Note 25 to the financial statements.

Notes to the Financial Statements _ Cont'd

18. REVENUE

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Sales of goods	544,812	530,035	-	-

19. PROFIT/(LOSS) BEFORE TAX

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Profit/(Loss) before tax is arrived at after charging:					
Auditors' remuneration:					
- statutory audits		515	644	396	506
- other services		109	-	109	-
Amortisation of land use rights	8	1,217	1,217	-	-
Depreciation of property, plant and equipment	7	13,903	13,692	-	-
Directors' remunerations:					
- fees		604	559	604	559
- salaries and other emoluments		2,860	2,932	54	86
Interest expense on bank borrowings		560	594	-	-
Inventories written off	10	61	116	-	-
Loss on disposal of property, plant and equipment		409	-	-	-
Operating lease payments		268	1,609	-	-
Property, plant and equipment written off	7	61	-	-	-
Research expenses		3,363	1,546	-	-
Realised loss on foreign exchange		-	10	-	10
Unrealised loss on foreign exchange		-	253	-	-
And crediting:					
Interest income		2,095	1,891	-	94
Realised gain on foreign exchange		599	-	17	-
Unrealised gain on foreign exchange		24	-	24	1,959

Notes to the Financial Statements _ Cont'd

20. TAX EXPENSE

	2015 RMB'000	Group 2014 RMB'000
Current tax expense based on profit for the financial year		
- PRC income tax	5,040	19,585
Deferred tax (Note 15)		
Relating to origination and reversal of temporary differences	532	(1,956)
	5,572	17,629

Tax expense for respective taxation authorities are calculated at the rates prevailing in those jurisdictions.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	2015 RMB'000	Group 2014 RMB'000
Profit before tax	12,370	67,208
Tax at the domestic rates applicable to profits in the countries concerned	3,092	16,802
Tax effect in respect of:		
Income not subject to tax	(25)	(516)
Non-deductible expenses	1,771	1,714
Lower tax rate in foreign jurisdiction	6	195
Deferred tax assets not recognised	196	1,390
Withholding tax on undistributable profits of PRC subsidiaries	532	(1,956)
	5,572	17,629

The Company was incorporated in Bermuda under the Bermuda Companies Act as an exempt company and is not subject to tax on income under the Bermuda Tax Law. Hence, no tax reconciliation has been prepared.

Notes to the Financial Statements _ Cont'd

20. TAX EXPENSE (CONT'D)

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Unused tax losses		
- Expire by 31 December 2015	–	1,593
- Expire by 31 December 2016	1,074	1,074
- Expire by 31 December 2017	578	578
- Expire by 31 December 2018	4,664	4,664
- Expire by 31 December 2019	5,560	5,560
- Expire by 31 December 2020	783	–
	12,659	13,469

Deferred tax assets of a subsidiary have not been recognised in respect of these temporary differences as it is not probable that taxable profit of a subsidiary would be available against which the deductible temporary differences could be utilised.

The amounts and the availability of the unused tax losses to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authority.

21. EMPLOYEE BENEFITS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	60,635	54,260	604	559
Contributions to defined contribution plan	3,311	3,118	–	–
Share options granted under share options scheme	13,099	–	–	–
Other benefits	54	86	54	86
	77,099	57,464	658	645

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RMB2,806,000 (2014: RMB2,846,000).

Notes to the Financial Statements _ Cont'd

22. EMPLOYEES SHARE OPTION SCHEME (“ESOS”)

ESOS of the Company came into effect on 13 May 2015 and 28 July 2015. The ESOS shall be in force for a period of five (5) years from the effective date of the scheme. The main features of the ESOS are as follows:

- (a) Eligible employees are those who are confirmed employees of the Group and have served full time in the Group or under an employment contract for a fixed duration and has been in the employment of the Group for such period;
- (b) The maximum number of options to be offered under the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any point of time during the duration of the scheme;
- (c) The options granted may be exercised any time within the option period from the date of offer;
- (d) The option price of a new ordinary share under the ESOS is based on the five (5)-day volume weighted average market price of the shares immediately preceding the date of offer with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the scheme;
- (e) The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the shares issued rank pari passu in all respects with the existing ordinary shares of the Company; and
- (f) The employees to whom the options have been granted would be given opportunity to participate in the equity of the Company and thereby relate their contribution directly to the performance of the Group.

The details of the options over the ordinary shares of the Company are as follows:

	← Number of options over ordinary shares of USD0.03 each →					
	Option price RM	Outstanding as at 1.1.2015 '000	Granted '000	Movements during the financial year Exercised '000	Outstanding as at 31.12.2015 '000	Exercisable as at 31.12.2015 '000
Date of offer						
13 May 2015	0.115	–	172,424	(172,424)	–	–
28 July 2015	0.145	–	25,800	(25,800)	–	–
		–	198,224	(198,224)	–	–
Weighted average exercise prices (RM)		–	0.119	0.119	–	–

Notes to the Financial Statements _ Cont'd

23. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries and its ultimate holding company.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Rental paid to a Director of the Company	268	1,609	–	–

Significant balances with a subsidiary and a Director at the end of the reporting period are disclosed in Notes 11 and 16 to the financial statements.

The related party transactions described above have been established under negotiated commercial terms.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Directors' remunerations				
- fees	604	559	604	559
- salaries and other emoluments	2,860	2,932	54	86
	3,464	3,491	658	645
Other key management personnel				
- short term employee benefits	630	637	–	–
	4,094	4,128	658	645

Notes to the Financial Statements _ Cont'd

24. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2015 and 31 December 2014.

The Group monitors capital by reference to its indebtedness position. The strategy of the Group is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. As at the end of the reporting period, the gearing ratio of the Group (which is financial debts divided by total equity plus financial debts) is calculated as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Borrowings	10,000	10,000	–	–
Trade and other payables	129,505	84,650	2,126	1,689
Total liabilities	139,505	94,650	2,126	1,689
Less: Cash and bank balances	(508,649)	(517,914)	(16)	(818)
Net (cash)/debt	(369,144)	(423,264)	2,110	871
Total equity	1,243,662	1,184,859	828,156	780,000
Net (cash)/debt	(369,144)	(423,264)	2,110	871
Total	874,518	761,595	830,266	780,871
Gearing ratio	*	*	0.3%	0.1%

* Gearing ratio is not presented as the Group is in net cash position as at 31 December 2015 and 31 December 2014.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million (RMB74.0 million). The Company has complied with this requirement for the financial year ended 31 December 2015.

The Group is not subject to any other externally imposed capital requirements.

Notes to the Financial Statements _ Cont'd

24. FINANCIAL INSTRUMENTS (CONT'D)

(b) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Group		
Financial assets		
Loans and receivables		
Trade and other receivables	264,358	138,514
Cash and bank balances	508,649	517,914
	773,007	656,428
Financial liabilities		
Other financial liabilities		
Trade and other payables	129,505	84,650
Borrowings	10,000	10,000
	139,505	94,650
Company		
Financial assets		
Loans and receivables		
Trade and other receivables	198,350	162,054
Cash and bank balances	16	818
	198,366	162,872
Financial liabilities		
Other financial liabilities		
Trade and other payables	2,126	1,689

(c) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables and trade and other payables, are reasonable approximation of fair value due to their short-term nature.

The carrying amounts of the current position of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

Notes to the Financial Statements _ Cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are licensed financial institutions and customers primarily located in PRC. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The exposure to credit risks of the Group is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The following shows the total amount due from the top ten (10) major customers as at the end of reporting period, which represents 45% (2014: 38%) of the total trade receivables. Other than as mentioned, the Group has no significant concentration of credit risk.

	2015 RMB'000	Group 2014 RMB'000
Trade receivables	118,358	52,446

The Company does not have any significant concentration of credit risk other than the amount owing by a subsidiary, which constitutes 100% (2014: 100%) of total receivables of the Company as at the end of each reporting period.

At the end of the reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the total carrying amount of these financial assets recognised in the statements of financial position. There has been no change to the exposure to credit risk of the Group or the manner in which the risk is managed and measured.

Information regarding the credit quality of trade and other receivables is disclosed in Note 11 to the financial statements.

In respect of the cash and bank balances placed with licensed financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Notes to the Financial Statements _ Cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group. There has been no change to the exposure of the Group to liquidity and cash flow risk or the manner in which the risk is managed and measured.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

31 December 2015 Group	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Financial liabilities				
Trade and other payables	129,505	–	–	129,505
Borrowings	10,000	–	–	10,000
	139,505	–	–	139,505
Company				
Financial liabilities				
Trade and other payables	2,126	–	–	2,126
31 December 2014 Group				
Financial liabilities				
Trade and other payables	84,650	–	–	84,650
Borrowings	10,000	–	–	10,000
	94,650	–	–	94,650
Company				
Financial liabilities				
Trade and other payables	1,689	–	–	1,689

Notes to the Financial Statements _ Cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate borrowings of the Group are exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate deposits of the Group are exposed to a risk of change in cash flows due to changes in the interest rates. The Group does not use derivative financial instruments to hedge the risk.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	2015 RMB'000	Group 2014 RMB'000
Profit after tax		
- Increase by 0.1% (2014: 0.1%)	373	380
- Decrease by 0.1% (2014: 0.1%)	(373)	(380)

The following tables set out the carrying amounts, the effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

Group	Note	Interest rate %	Within 1 year RMB'000	Total RMB'000
At 31 December 2015				
Fixed rate				
Borrowings	17	4.45	10,000	10,000
Floating rate				
Cash at bank	12	0.30	508,573	508,573
At 31 December 2014				
Fixed rate				
Borrowings	17	5.66	10,000	10,000
Floating rate				
Cash at bank	12	0.35	517,828	517,828

Notes to the Financial Statements _ Cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than functional currency of the operating activities.

The Group and the Company have not entered into forward foreign exchange contracts during the financial year.

Sensitivity analysis for foreign currency risk

No sensitivity analysis for foreign currency risk is prepared at the end of the reporting period as the Group and the Company do not have significant exposure to foreign currency risk.

26. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	2015 RMB'000	Group 2014 RMB'000
Profit attributable to equity holders of the parent	6,798	49,579
Weighted average number of ordinary shares in issue (in '000)	1,255,436	1,132,259
Effect of bonus issue (in '000)	1,255,436	1,132,259
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share (in '000)	2,510,872	2,264,518
Basic earnings per ordinary share (RMB)	0.0027	0.0219

(b) Diluted

The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the financial year.

Notes to the Financial Statements _ Cont'd

27. OPERATING SEGMENTS

The activities of the Group are predominantly in designing, manufacturing and marketing of sports shoes as well as designing and marketing of sports apparel, accessories and equipment within PRC. The operations of the Group are concentrated in Jinjiang City, Fujian Province of PRC, which represents its principal place of business and in which the assets and liabilities of the Group is located.

Due to the similarities in the business operations between the two operating subsidiaries in PRC, the chief operating decision maker of the Group, the Chief Executive Officer (“CEO”) of the Group in this context manages the operations within the Group as a whole in single segment and relies on internal reports which are similar to those currently disclosed externally to make decisions about allocation of resources.

The Group evaluates performance on the basis of revenue from operation. The analysis is as follows:

	Own branding manufacturer RMB'000	Original equipment manufacturer RMB'000	Other RMB'000	Total RMB'000
2015				
Revenue	403,967	140,845	–	544,812
Interest income	2,052	43	* (1)	2,095
Finance cost	(560)	–	–	(560)
Net finance income	1,492	43	* (1)	1,535
2014				
Revenue	392,534	137,501	–	530,035
Interest income	1,727	68	96	1,891
Finance cost	(594)	–	–	(594)
Net finance expense	1,133	68	96	1,297

*⁽¹⁾ Represent RMB223.

Notes to the Financial Statements _ Cont'd

27. OPERATING SEGMENTS (CONT'D)

Accordingly, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8 *Operating Segments*:

Revenue by region

During the financial year, the Group derived all of its revenue from PRC. In view of the vast geographical areas within PRC, customers can be stratified on a regional basis within PRC. The following is an analysis of the revenue of the Group by region by location of customers, irrespective of the origin of the goods/services:

	Revenue by region	
	2015 RMB'000	2014 RMB'000
Within PRC:		
- Eastern region	28,238	26,399
- Southern region	260,420	252,167
- Western region	140,877	137,714
- Northern region	115,277	113,755
	<hr/> 544,812	<hr/> 530,035

In this context, the regions are grouped in the following manner by the Group:

- Eastern region includes Jiangsu and Shandong.
- Southern region includes Fujian, Guangdong, Hubei, Hunan, Jiangxi and Anhui.
- Western region includes Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang and Shaanxi.
- Northern region includes Beijing, Henan, Heilongjiang, Liaoning, Shanxi and Jilin.

Revenue by products

The following is an analysis of the revenue of the Group by products:

	Revenue by products	
	2015 RMB'000	2014 RMB'000
Sports shoes	408,877	356,681
Sports apparel, accessories and equipment	135,935	173,354
	<hr/> 544,812	<hr/> 530,035

The Group does not have significant reliance on a single major customer, with whom the Group transacted ten percent (10%) or more of its revenue during the financial year.

Notes to the Financial Statements _ Cont'd

28. COMMITMENTS

- (a) Operating lease commitments

The Group as lessee

The Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Not later than one (1) year	–	1,609
Later than one (1) year and not later than five (5) years	–	–
	–	1,609

- (b) Capital commitments

	Group	
	2015 RMB'000	2014 RMB'000
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	40,658	43,524

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 18 February 2015, the Company reduced its par value of the issued and paid-up share capital of the Company comprising 1,149,497,012 ordinary shares of USD0.10 each to USD0.03 each pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda;
- (b) On 20 April 2015, the Company issued 100 new ordinary shares of USD0.03 each for cash vide the exercise of 100 detachable Warrants 2012/2015 at exercise price of RM0.35 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 15 March 2012;
- (c) On 4 August 2015 and 24 August 2015, the Company issued 1,333 and 18,466 new ordinary shares respectively of USD0.03 each for cash vide the exercise of 19,799 detachable Warrants 2015/2018 at exercise price of RM0.115 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised pursuant to the Deed Poll dated 17 June 2015;
- (d) On 13 May 2015, the Company granted 172,424,000 shares of ESOS. The ESOS was fully exercised with an exercise price of RM0.115 per share on 11 June 2015; and
- (e) On 28 July 2015, the Company granted 25,800,000 shares of ESOS. The ESOS was fully exercised with an exercise price of RM0.145 per share on 6 August 2015.

30. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 27 January 2016, the Company announced that 1,347,738,911 new ordinary shares of USD0.03 each ("Bonus Share") were issued on the basis of one (1) Bonus Share for every one (1) existing ordinary share held by the entitled shareholders of the Company ("Bonus Issue"). As a consequence of the Bonus Issue:

- (a) 440,619,890 additional Warrants 2015/2018 were issued, on the basis of one (1) Bonus Share for every one (1) existing ordinary share, pursuant to the Deed Poll dated 17 June 2015; and
- (b) 181,499,212 additional Warrants 2014/2017 were issued, on the basis of one (1) Bonus Share for every one (1) existing ordinary share, pursuant to the Deed Poll dated 9 December 2015.

Notes to the Financial Statements _ Cont'd

31. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Total retained earnings of the Company and its subsidiaries				
- Realised	646,267	616,903	52,944	31,148
- Unrealised	24	(253)	24	1,959
	646,291	616,650	52,968	33,107
Less : Consolidation adjustments	(42,744)	(42,213)	-	-
Total retained earnings	603,547	574,437	52,968	33,107

LIST OF GROUP PROPERTIES

Location	Description	Existing/ Intended usage	Tenure / Approximate age of the buiding	Land area/ Built-up area (square metres)	Net book value @ 31 December 2015 (RMB'000)
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (vacant)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	840	4,446
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (vacant)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	576	797
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (site for factory building and employees dormitories)	Leasehold for 50 years (from 31.07.2007 to 05.06.2057)	33,183	21,620
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (site for office building and employees dormitories)	Leasehold for 50 years (from 31.07.2007 to 25.06.2057)	34,561	23,467
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Buildings	Headquarter and Design & Production Centre	Leasehold for 50 years (from 31.07.2007 to 25.06.2057)	51,700/ 114,453	524,167
			Age of the buildings:- Approximately 2 year		
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Construction in progress	Stage-2 Design & Production Centre (corporate office)	Leasehold for 50 years (from 31.07.2007 to 25.06.2057)	16,000/ 52,000 (upon completion)	17,918

ANALYSIS OF SHAREHOLDINGS

as at 14 April 2016

Authorised Share Capital : USD300,000,000
 Class of Shares : Ordinary shares of USD0.03 each
 Voting Rights : One (1) vote per ordinary share

SHARE CAPITAL

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued capital
1 - 99	35	0.812	1,188	0.000
100 - 1,000	195	4.521	59,078	0.002
1,001 - 10,000	392	9.089	2,500,792	0.093
10,001 - 100,000	2,218	51.426	109,236,010	4.053
100,001 - 134,773,890 (*)	1,471	34.106	1,683,680,754	62.463
134,773,891 and above (**)	2	0.046	900,000,000	33.389
Total (***)	4,313	100.000	2,695,477,822	100.000

Remark:

- * Less than 5% of issued shares
- ** 5% & above of issued shares
- *** Excluding 1,000 treasury shares

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

	Direct Interest	
	No. of shares held	% of issued capital
HONGPENG INTERNATIONAL HOLDINGS LIMITED	710,000,000	26.340
RHB NOMINEE (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONGPENG INTERNATIONAL HOLDINGS LIMITED	190,000,000	7.049

DIRECTOR'S INTEREST

(As per Register of Director's Shareholdings)

	Indirect Interest	
	No. of shares held	% of issued capital
Ding PengPeng [^]	900,000,000	33.389

[^] Deemed interested by virtue of his major shareholdings in HongPeng International Holdings Limited

Analysis of Shareholdings _ Cont'd

THIRTY LARGEST SHAREHOLDERS

AS AT 14 APRIL 2016

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	HONGPENG INTERNATIONAL HOLDINGS LIMITED	710,000,000	26.340
2	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONGPENG INTERNATIONAL HOLDINGS LIMITED	190,000,000	7.049
3	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	120,347,800	4.465
4	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED	60,650,000	2.250
5	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DING SIZU (MARGIN)	60,000,000	2.226
6	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN JINGXUAN (MARGIN)	60,000,000	2.226
7	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DING HONGKE (MARGIN)	60,000,000	2.226
8	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DING SHUWEI (MARGIN)	60,000,000	2.226
9	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	42,291,668	1.569
10	ZHANG TIANCAI	40,010,000	1.484
11	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN HUOMENG	40,000,000	1.484
12	LIN JINGBO	38,038,000	1.411
13	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN JINGXUAN	36,040,200	1.337
14	DING CHAOHUI	36,000,000	1.336
15	M & A NOMINEE (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	36,000,000	1.336

Analysis of Shareholdings _ Cont'd

THIRTY LARGEST SHAREHOLDERS (CONT'D)

AS AT 14 APRIL 2016

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
16	DING MAOYUAN	28,848,000	1.070
17	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG CHOY	24,000,000	0.890
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHEONG HO LENG (MY0083)	20,000,000	0.742
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK SIEW WEI	16,000,000	0.594
20	TEE AH SWEE	12,086,400	0.448
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMAD BOLHAIR BIN REDUAN	11,600,000	0.430
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SEW CHING (MY1749)	11,000,000	0.408
23	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KUEK ENG MONG	10,313,800	0.383
24	ANG YEW WAH	9,081,600	0.337
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KOK WAH (MY1842)	9,000,000	0.334
26	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI YEE VOON	8,532,400	0.317
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MEI YUIN	8,312,130	0.308
28	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	8,180,200	0.303
29	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ALEXANDER YAP CHEE ENG	8,152,000	0.302
30	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE MING	8,000,000	0.297
TOTAL		1,782,484,198	66.128

ANALYSIS OF WARRANT HOLDINGS

as at 14 April 2016

Total Warrants Issued – “Warrant B” : 362,998,424

Total Warrants Issued – “Warrant C” : 881,239,780

ANALYSIS BY SIZE OF HOLDINGS

WARRANT B

Size of holdings	No. of holders	% of holders	No. of warrants held	% of issued warrants
1 - 99	34	2.681	1,762	0.000
100 - 1,000	109	8.596	29,730	0.008
1,001 - 10,000	236	18.612	1,230,388	0.339
10,001 - 100,000	431	33.991	20,443,018	5.632
100,001 - 18,149,920 (*)	458	36.120	341,293,526	94.021
18,149,921 and above (**)	–	–	–	–
Total	1,268	100.000	362,998,424	100.000

WARRANT C

Size of holdings	No. of holders	% of holders	No. of warrants held	% of issued warrants
1 - 99	333	9.884	18,124	0.002
100 - 1,000	355	10.537	99,312	0.011
1,001 - 10,000	832	24.696	4,734,602	0.537
10,001 - 100,000	1,441	42.772	49,554,580	5.623
100,001 - 44,061,988 (*)	406	12.051	274,808,214	31.185
44,061,989 and above (**)	2	0.060	552,024,948	62.642
Total	3,369	100.000	881,239,780	100.000

Remark:

* Less than 5% of issued warrants

** 5% & above of issued warrants

Analysis of Warrant Holdings _ Cont'd

SUBSTANTIAL WARRANT HOLDERS

WARRANT C

	Direct Interest	
	No. of warrants held	% of issued warrants
UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	485,358,282	55.077
M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR HONGPENG INTERNATIONAL HOLDINGS LIMITED	66,666,666	7.565

DIRECTOR'S INTEREST

(As per Register of Director's Warrant Holdings)

WARRANT C

	Indirect Interest	
	No. of warrants held	% of issued warrants
Ding PengPeng^	299,999,998	34.043

^ Deemed interested by virtue of his major shareholdings in HongPeng International Holdings Limited

Analysis of Warrant Holdings _ Cont'd

THIRTY LARGEST WARRANT HOLDERS AS AT 14 APRIL 2016**WARRANT B**

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG CHOY	15,900,000	4.380
2	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SOON HUI (E-SJA)	10,523,600	2.899
3	TANG KIM LEONG	10,397,600	2.864
4	EVA LIM SIEW WEN	10,000,000	2.755
5	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	9,744,860	2.685
6	CHIA SAU HING @ CHIA AI HWA	9,543,000	2.629
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YEW BENG (E-SJA)	9,000,000	2.479
8	DOMINIC ONG SHENG YEW	8,000,000	2.204
9	KOH WENG FOO	5,000,000	1.377
10	LAM PUN YING	4,203,800	1.158
11	LAW LAI LENG	4,000,000	1.102
12	LEONG HON WAH	4,000,000	1.102
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN (MARGIN)	3,419,800	0.942
14	LEE KIM SENG	3,400,000	0.937
15	WANG TSUN SIANG	3,289,600	0.906

Analysis of Warrant Holdings _ Cont'd

THIRTY LARGEST WARRANT HOLDERS AS AT 14 APRIL 2016 (CONT'D)**WARRANT B**

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
16	LIM KAM YOKE	2,950,000	0.813
17	TEH SIEW HOON	2,700,000	0.744
18	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMAD RAFIE BIN BAHARUDIN (MARGIN)	2,640,000	0.727
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARTHUR YAP CHEE KEONG	2,577,172	0.710
20	YAP CHEE KUAN	2,494,000	0.687
21	PNG CHING SIN	2,400,000	0.661
22	SAW GUAT NGOH	2,400,000	0.661
23	ADRIAN GOH SIM HAN	2,099,800	0.578
24	AZMI BIN ARSAT	2,040,000	0.562
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING SIIUN TIEN (8047935)	2,000,000	0.551
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH SIEW GIM (GREENTOWN-CL)	2,000,000	0.551
27	HANIF BIN SIRAF	2,000,000	0.551
28	MOHAMED AKHIR BIN YUSOFF	2,000,000	0.551
29	WONG LOH CHING	2,000,000	0.551
30	YEO CHIN KIANG	2,000,000	0.551
TOTAL		144,723,232	39.868

Analysis of Warrant Holdings _ Cont'd

THIRTY LARGEST WARRANT HOLDERS AS AT 14 APRIL 2016**WARRANT C**

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	485,358,282	55.077
2	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR HONGPENG INTERNATIONAL HOLDINGS LIMITED	66,666,666	7.565
3	M & A NOMINEE (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	15,517,000	1.761
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SEW CHING (MY1749)	12,866,666	1.460
5	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR HONG KONG HONGSHENG INVESTMENT COMPANY LIMITED	12,000,000	1.362
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHEONG HO LENG (MY0083)	10,206,666	1.158
7	ANG YEW WAH	8,922,666	1.013
8	NG LEE SAN	7,333,332	0.832
9	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	6,349,088	0.720
10	CHAI CHAT LEONG	6,000,000	0.681
11	LIN JINGBO	5,267,200	0.598
12	GOH PANG LEE	4,933,332	0.560
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH CHOON HUAT (E-TAI/TPD)	4,600,000	0.522
14	TAI KIM FONG	4,000,000	0.454
15	GOH CHING SEE	3,766,666	0.427

Analysis of Warrant Holdings _ Cont'd

THIRTY LARGEST WARRANT HOLDERS AS AT 14 APRIL 2016

WARRANT C

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
16	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HO AH CHAI	3,400,000	0.386
17	TAN GUAT KHIM	3,058,666	0.347
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG SING LONG (E-BTL)	3,027,732	0.344
19	LYE MING ZH	2,903,332	0.329
20	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG QINGYUN	2,868,600	0.326
21	CHONG KIAM PEH	2,800,000	0.318
22	ANG CHUN WEI	2,759,800	0.313
23	UNG ENG HUAT	2,666,666	0.303
24	WANG TSUN SIANG	2,666,666	0.303
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ALEXANDER YAP CHEE ENG	2,500,000	0.284
26	LIM PAY KAON	2,304,066	0.261
27	ENG LAY HOONG	2,200,000	0.250
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARTHUR YAP CHEE KEONG	2,191,134	0.249
29	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ALVIN LAU LEE JEN	2,133,332	0.242
30	CHAH KONG MIN @ CHOY SOI TUCK	2,100,200	0.238
TOTAL		693,367,758	78.683



XIDELANG HOLDINGS LTD

(Bermuda Company No. 43136)
(Incorporated as an exempted Company in Bermuda under the Companies Act 1981 of Bermuda)
(Malaysian Foreign Company No. 995210-W)
(Registered as a Foreign Company in Malaysia under the Companies Act 1965 of Malaysia)

FORM OF PROXY

Number of shares held	
CDS Account No.	

.....
Telephone no. (During office hours)

I/We NRIC/ Passport/ Company No.
(Full Name in Capital Letters)

of
(Full Address)

being a member(s) of **XIDELANG HOLDINGS LTD** (Incorporated in Bermuda under the Companies Act 1981 of Bermuda – Company No. 43136) (Registered as a Foreign Company in Malaysia under the Companies Act 1965 of Malaysia - Company No. 995210-W)

hereby appoint NRIC/ Passport No.
(Full Name in Capital Letters)

of
(Full Address)

and/or failing him/her, NRIC/ Passport No.
(Full Name in Capital Letters)

of
(Full Address)

or the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya, Malaysia on Thursday, 16 June 2016 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	Approval of the payment of Directors' Fees for the financial year ended 31 December 2015.		
2.	Re-election of Ding LiHong who retires pursuant to the Company's Bye-Law 86.		
3.	Re-election of Woon Yeow Thong who retires pursuant to the Company's Bye-Law 86.		
4.	Re-election of Lin YingYu who retires pursuant to the Company's Bye-Law 86.		
5.	Re-appointment of Messrs BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
6.	Proposed Renewal of Authority for XideLang Holdings Ltd to Purchase its own Shares Pursuant to the Prevailing Laws, Main Market Listing Requirements and Bye-Laws.		
7.	Authority to issue shares.		
	SPECIAL RESOLUTION		
8.	Proposed Amendment to Bye-Laws of the Company		

Dated this day of 2016

.....
Signature of Unit holder/Common Seal

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-

Proxy	No. of units	Percentage (%)
1		
2		
Total		100

Notes:

- i. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- ii. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 of Malaysia, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
- iii. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- iv. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of an office, attorney or other person duly authorised to sign the same.
- v. The instrument appointing a proxy must be deposited at the Company's registered office in Malaysia i.e. Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting i.e. on or before 10.00 a.m., Tuesday, 14 June 2016 or any adjournment thereof.
- vi. Only members whose names appear in the Record of Depositors as at 10 June 2016 will be entitled to attend and vote at the meeting or appoint proxy (proxies) to attend and vote on their behalf.



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AFFIX
STAMP

XIDELANG HOLDINGS LTD
(Malaysian Foreign Company No. 995210-W)
UNIT 30-01, LEVEL 30, TOWER A
VERTICAL BUSINESS SUITE
AVENUE 3, BANGSAR SOUTH
NO. 8, JALAN KERINCHI
59200 KUALA LUMPUR

Please fold here



XideLang Holdings Ltd

(Bermuda Company No. 43136)

(Incorporated as an exempted company in Bermuda
under the Companies Act 1981 of Bermuda)

(Malaysian Foreign Company Registration No. 995210-W)

(Registered as a foreign company in Malaysia
under the Companies Act, 1965 of Malaysia)