



Annual Report 2024



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CORPORATE INFORMATION

BOARD OF DIRECTORS	
Ding LiHong Non-Executive Chairman Non-Independent Director	Ho Pui Hold Independent Non-Executive Director
Ding PengPeng Managing Director / Chief Executive Officer ("CEO") Non-Independent Director	Gilbert Lau Kien Yen Independent Non-Executive Director
Ding PengWan Executive Director / Deputy CEO cum Chief Operating Officer Non-Independent Director	

PRINCIPAL PLACE OF BUSINESS

Head Office & Production Centre

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

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

COMPANY SECRETARIES

Solid Capital Advisory Sdn Bhd

Conyers Corporate Services
(Bermuda) Limited
(Assistant Secretary)

AUDITORS

RUSSELL BEDFORD LC PLT
(LLP0030621-LCA & AF 1237)
Suite 37, Level 21, Mercu 3
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59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia.

Tel: +603 – 2202 6666
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REGISTERED OFFICE IN BERMUDA

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2 Church Street
Hamilton HM11
Bermuda

Tel: +1 (441) 295 1422
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REGISTERED OFFICE IN MALAYSIA

36G-3, Jalan Radin Anum
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Tel: +603 – 9054 3108
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BERMUDA SHARE REGISTRAR

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Tel: +1 (441) 295 1422
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MALAYSIAN SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd

Office
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
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59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia.

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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

Solid Capital Advisory Sdn Bhd

36G-3, Jalan Radin Anum
Sri Petaling
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Tel: +603 – 9054 3108
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PRINCIPAL BANKERS

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

Fujian Jinjiang Rural Commercial Bank,
China
(中国福建晋江农村商业银行)

Bank of Communications, China
(中国交通银行)

Malaysia
AmBank (M) Berhad

STOCK EXCHANGE LISTING

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

FINANCIAL HIGHLIGHTS

KEY FINANCIAL DATA	(a) 2020 RMB'000	(b) 2021 RMB'000	(b) 2022 RMB'000	(b) 2023 RMB'000	(c) 2024 RMB'000
Revenue	626,567	380,081	443,878	451,324	819,491
Gross profit	152,229	64,685	45,079	42,546	115,097
Profit/(Loss) before tax ^(d)	61,932	(33,747)	(145,542)	(20,545)	(46,514)
Net profit/(loss) ^(d)	33,413	(35,179)	(140,992)	(23,480)	(44,743)
Total assets	1,546,697	1,539,847	1,517,175	1,420,252	1,369,178
Total liabilities ^(d)	108,392	94,024	212,344	138,901	132,570
Net current assets ^(d)	897,438	915,113	781,756	777,423	702,973
Net assets / Shareholders' equity ^(d)	1,438,305	1,445,823	1,304,831	1,281,351	1,236,608
Borrowings	12,400	-	12,400	12,400	-
KEY FINANCIAL INDICATORS	(a) 2020 %	(b) 2021 %	(b) 2022 %	(b) 2023 %	(c) 2024 %
Gross profit margin	24.30	17.02	10.16	9.43	14.04
Net profit/(loss) margin ^(d)	5.33	(9.26)	(31.76)	(5.20)	(5.46)
Borrowings-to-Equity ^(d)	0.86	-	0.95	0.97	-
	('000 units)	('000 units)	('000 units)	('000 units)	('000 units)
Weighted average ordinary shares in issue ("WAOS") ^(e)	1,804,884	2,058,116	2,116,226	2,116,226	2,116,226
Adjusted number of ordinary shares outstanding ("Outstanding OS") ^(f)	1,804,884	2,116,226	2,116,226	2,116,226	2,116,226
	RMB cent	RMB cent	RMB cent	RMB cent	RMB cent
Basic earnings per share ^(d) (Based on WAOS)	1.85	(1.71)	(6.66)	(1.11)	(2.11)
Net assets per share ^(d) (Based on Outstanding OS)	79.69	68.32	61.66	60.55	58.43

(a) For the financial period from 1 January 2019 to 30 June 2020.

(b) For the financial years ended 30 June 2021, 2022, and 2023 respectively.

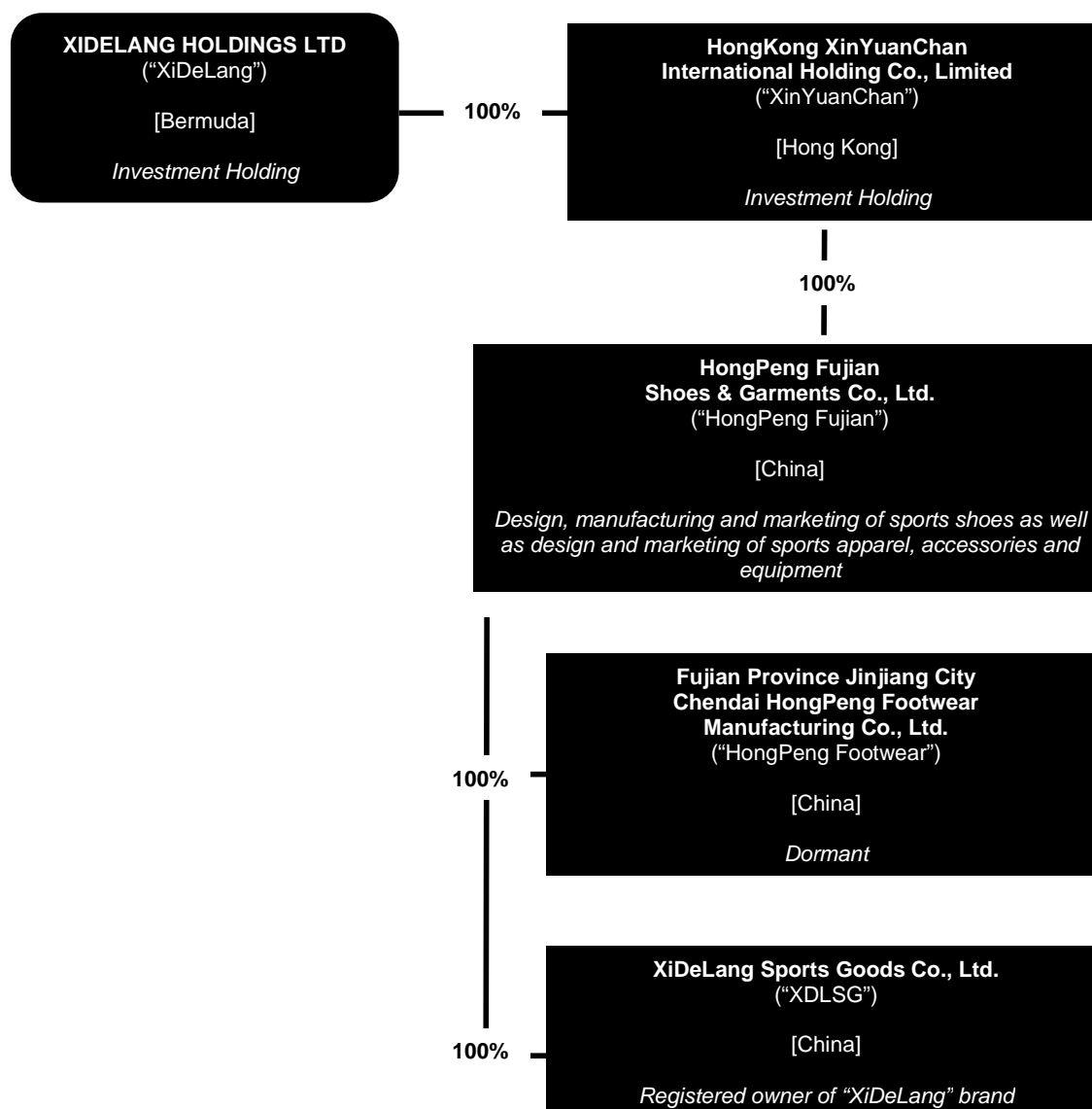
(c) For the financial period from 1 July 2023 to 31 December 2024.

(d) These figures (in respect of 2020 and 2021) have been restated due to prior year adjustments. Please refer to Note 29 to the Financial Statements as disclosed in the Annual Report 2022 for further details.

(e) Weighted average ordinary shares in issue were derived after adjusting for effects of bonus issues and share consolidation.

(f) Based on ordinary shares outstanding as at the financial year/period-end, after adjusting for effects of bonus issues and share consolidation.

CORPORATE STRUCTURE



PROFILE OF THE BOARD OF DIRECTORS

DING LIHONG

*(Female, aged 51 – Citizen of the People's Republic of China)
Non-Independent Non-Executive Chairman*

Ms. Ding LiHong was appointed as the Executive Chairman on 5 May 2009. She was re-designated as the Non-Executive Chairman on 30 August 2023. She is also the Chairman of our Nomination Committee and Remuneration Committee, and a member of our Audit Committee.

She is the co-founder of XiDeLang Group ("the Group") and 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 / 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 China. 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 was elected as 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, China, and Standing Committee of World Jinjiang Youth Association.

She is the sister of Mr. Ding PengPeng and Ms. Ding PengWan, the Managing Director / CEO and Executive Director / Deputy CEO cum Chief Operating Officer ("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. In the past five (5) years, she has not been convicted of any offence.

DING PENG PENG

*(Male, aged 49 – Citizen of the People's Republic of China)
Managing Director / CEO*

Mr. Ding PengPeng was appointed as the Managing Director / CEO on 5 May 2009. He is also a member of our Risk Management Committee.

He is the co-founder 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 our Non-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 China 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.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

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 has been elected as the Chairman of Fujian Province Jinjiang City E-Commerce Development Co., Ltd., a private company in China that operates the “China Shoes Capital E-Commerce Centre”. He has also been elected 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, the Special Supervisory Agent (2014 – 2016) for the Chendai Police Station, Standing Committee Member of Jinjiang City Federation of Commerce and Industry, Honorary President of Chendai County Federation of Returned Overseas Chinese, Honorary President of Jinjiang City Chendai County Shoe Material Chamber of Commerce and Liaison Officer for Jinjiang City People’s Procuratorate.

He is the brother of Ms. Ding LiHong and Ms. Ding PengWan, the Non-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. In the past five (5) years, he has not been convicted of any offence.

DING PENGWAN

(Female, aged 47 – Citizen of the People’s Republic of China)
Executive Director / Deputy CEO cum COO

Ms. Ding PengWan was appointed as the Executive Director on 21 July 2009. She was re-designated as the Deputy CEO cum COO on 29 February 2016. She is also the Chairman of our Risk Management Committee.

She 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 COO of the Group. On 29 February 2016, she has been re-designated as the Deputy CEO cum COO of the Group and is currently responsible for overseeing the overall operations and management functions of the Group.

She is a graduate of the CEO Advanced Management Program in Business Administration from Huaqiao University, People’s Republic of China.

She is the sister of Ms. Ding LiHong and Mr. Ding PengPeng, the Non-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. In the past five (5) years, she has not been convicted of any offence.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

HO PUI HOLD

*(Male, aged 42 – Malaysian)
Independent Non-Executive Director*

Mr. Ho was appointed as an Independent Non-Executive Director on 30 March 2021. He is also the Chairman of our Audit Committee and a member of our Nomination Committee and Remuneration Committee.

He is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom, a member of Malaysian Institute of Accountants (MIA) and a member of ASEAN Chartered Professional Accountant.

He has years of professional experience in auditing, banking and corporate finance. He started his career in 2004 by joining a Singapore advisory firm as IPO consultant where he participated in a few successful listing of companies in Singapore Stock Exchange. He then joined Ernst & Young as Senior Audit Associate until 2009 before he left to join AmBank (M) Berhad Corporate & Institutional Banking. In the bank, he was responsible for client credit evaluation and marketing of bank's products mainly in debt capital market, offshore loan syndication, corporate finance advisory and treasury products. To further advance his career, he took up the Chief Financial Officer position in a foreign company listed on Bursa Malaysia until 2013.

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

He is also an independent non-executive director of HB Global Limited, Permaisuri Industries Berhad and EP Manufacturing Berhad; public companies listed on the Main Market of Bursa Malaysia Securities Berhad.

He does not have any conflict of interest with the Company. In the past five (5) years, he has not been convicted of any offence.

GILBERT LAU KIEN YEN

*(Male, aged 37 – Malaysian)
Independent Non-Executive Director*

Mr. Gilbert was appointed as an Independent Non-Executive Director on 30 August 2023. He is also a member of our Audit Committee, Nomination Committee and Remuneration Committee.

He is an Accountant by training, has a Bachelor of Commerce in accounting and finance, an MBA graduate from University of Nottingham, a member of Certified Practising Accountant Australia (CPA Australia) & Chartered Global Management Accountant (CGMA), Chartered Management Accountants (CIMAs ACMA), a member of ASEAN Chartered Professional Accountant (ACPA) & Cambodia Certified Public Accountant, a member of the Malaysian Institute of Accountants (MIA), a member of International Association of Restructuring, Insolvency & Bankruptcy Professionals (INSOL), an associate member of Chartered Tax Practitioner of Chartered Tax Institute of Malaysia (CTIM) and an associate member of Business Valuers Association Malaysia.

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

He does not hold any other directorship in other public listed companies. He does not have any conflict of interest with the Company. In the past five (5) years, he has not been convicted of any offence.

MANAGEMENT DISCUSSION AND ANALYSIS

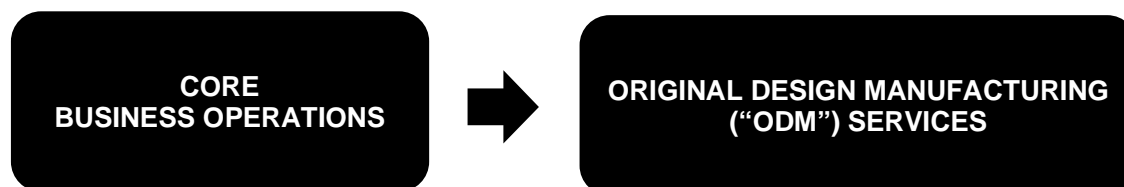
BUSINESS OVERVIEW

Our Group's humble beginning can be traced back to 1993 when HongPeng Footwear was founded in Jinjiang City, Fujian Province, China to carry out manufacturing of sports shoes. Our Group promptly recognised that it is important to create a proprietary brand to help differentiate ourselves from other industry players, and to move up the value chain. Accordingly, our Group's proprietary brand name – 'XiDeLang' was created.

To facilitate the management process, HongPeng Fujian was established in 1996 to focus on design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment under 'XiDeLang' brand ("Own-Branding Segment"); whilst HongPeng Footwear concentrates on manufacturing of sports shoes for external customers where the products are primarily for distribution in overseas markets ("ODM Segment").

In view of the intensified market challenges and adverse impact of COVID on the operations of the authorised distributors, our Group has resolved to cease the operations of Own-Branding Segment during the financial year ended 30 June 2022. To optimise the production efficiency following the cessation of Own-Branding Segment, the manufacturing activities of ODM Segment have been transferred and consolidated into HongPeng Fujian.

During the financial period from 1 July 2023 to 31 December 2024 ("financial period under review" or "FPE 2024"), there is no change in the principal activities of our Group, where our Group's business operations continue to focus on ODM Segment.



ODM Segment

- Objective:
To become the reliable, trusted production partner for international brand names.
- Targeted Customer:
International brand names, where products are primarily for distribution in overseas markets.
- Distribution Channel:
Foreign trading / export companies and intermediaries based in China
- Focus and business strategies:
 - (a) Production and design capability and capacity

Our Group has continued to build on the production capability and capacity throughout the years. Relocation to our Group's present headquarters and production centre (with a built-up area of over 110,000 square meters) in 2013 has enabled us to expand our production capacity and to centralise the sports shoes manufacturing operations at single location, thereby allowing us greater flexibility and efficiency in accommodating the changes in market demands.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The relocation to our Group's present headquarters and production centre, which comes with wider production floor, has enabled us to install additional production lines to enhance our production and design capability as well as to expand our production capacity.

The enhanced production and design capability and increased production capacity are part of the key components which our Group leverages on, to secure new ODM production orders and enhance customers' confidence for recurring orders.

To optimise the production efficiency following the cessation of Own-Branding Segment, the manufacturing activities of ODM Segment have been transferred and consolidated into HongPeng Fujian.

(b) Supply-chain management and quality control

Our Group practices stringent checks and controls to uphold our quality commitment to the ODM customers. Raw materials to be used for the production are inspected to ensure adherence to the agreed specifications. Checks and controls are carried out at various stages of the production to ensure prompt detection of any defects and deviations from the agreed specifications. Finished products must undergo various testing and inspection for quality assurance prior to delivery.

Over the years, we have strengthened our in-house research and product development team. This enables us better integration and control for the entire production flow, as all key aspects (conceptual design, raw material procurement, costing, production process and production time) are considered and ascertained early at design stage.

Our Group maintains a close relationship with the raw material suppliers to ensure that the incoming supplies are of good quality with prompt delivery. All the supplies are sourced domestically, with majority of the suppliers located within the neighbouring areas. The proximity allows us better communication with our suppliers, where any issues concerning the supplies can be resolved expediently.

PERFORMANCE REVIEW

	("FPE 2024") (RMB'000)
Total revenue	819,491
Gross profit	115,097
Net loss	(44,743)

No comparative figures are available for presentation. The Board of Directors have approved the change of financial year end from 30 June to 31 December. The audited financial statements as disclosed in this Annual Report are for financial period from 1 July 2023 to 31 December 2024, covering a period of 18 months. Thereafter, the subsequent financial year shall end on 31 December annually. The change is to synchronise the financial reporting period with the calendar year, permitting thorough sale recording and operational planning, hence improving decision-making processes. Kindly refer to the Company's announcement made on 23 April 2024 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(1) Revenue and Profitability

Our Group recorded total revenue of approximately RMB819.5 million and gross profit of approximately RMB115.1 million for the FPE 2024, derived from sales of footwear from the ODM Segment.

Our Group recorded net loss of approximately RMB44.7 million for the FPE 2024, mainly due to administrative expenses incurred of RMB153.2 million, which were primarily attributable to the following items:

- (i) research and development expenses incurred for the research on suitable new raw materials, in line with our Group's strategy to keep abreast of the industry development and to sustain competitiveness;
- (ii) staff costs for management, administrative and support functions; and
- (iii) compensation/rebate to customer for late delivery of orders.

(2) Financial Position

	As at 31.12.2024 (RMB'000)
▪ Total assets	1,369,178
▪ Total liabilities	132,570
▪ Net assets / Shareholders' equity	1,236,608
▪ Net current assets	702,973
<u>Financial ratios</u>	
▪ Quick ratio ⁽¹⁾	680.5%
▪ Debt-to-equity ratio ⁽²⁾	10.7%

⁽¹⁾ Formula: $(\text{Cash and cash equivalents} + \text{Receivables}) / \text{Current liabilities}$

⁽²⁾ Formula: $\text{Total liabilities} / \text{Shareholders' equity}$

Our Group's financial position as of 31 December 2024 remained relatively healthy and stable.

(3) Liquidity

Working Capital Turnover Days	FPE 2024 (Days)
▪ Inventories ⁽¹⁾	11
▪ Trade receivables ⁽²⁾	118
▪ Trade payables ⁽³⁾	(69)
Net working capital turnover days	60

⁽¹⁾ Formula: $\text{Inventories} / \text{Cost of sales} \times 549 \text{ days}$

⁽²⁾ Formula: $\text{Trade receivables} / \text{Revenue} \times 549 \text{ days}$

⁽³⁾ Formula: $\text{Trade payables} / \text{Cost of sales} \times 549 \text{ days}$

Our Group's net working capital turnover days for the FPE 2024 stood at 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(4) Capital Requirements, Structure & Resources

	RMB'000
Cash and cash equivalents as of 31 December 2024	467,336
<u>Less</u>	
Unutilised proceeds from renounceable rights issues exercise in 2014	(151,246)
Cash and cash equivalents available for working capital and operational funding requirements as at 31 December 2024	316,090

As of 31 December 2024, our Group had sufficient cash reserves to fund the existing capital expenditure requirements, to settle the existing indebtedness and to carry out our day-to-day business operations. Although there is no immediate shortage in capital resources, our Group may, from time to time, assess the need for additional fund-raising to meet future capital expenditure requirements while ensuring that our Group's financial and liquidity position remains healthy.

(5) Dividend Policy

The Board has established a dividend policy to distribute up to 20% of the Company's profit after tax as dividend payment to our shareholders. The dividend payment will be made after taking into consideration, inter alia, cash availability, return on equity and the projected level of capital expenditures; always bearing in mind the importance of long-term value creation for our shareholders. The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of the Board, whilst any final dividend proposed is subject to our shareholders' approval.

In view of the economic uncertainties and the prevailing market challenges, no dividend was proposed by our Group during the FPE 2024 to preserve liquidity. This will give our Group's better positioning in handling future challenges and to tap into new opportunities.

TREND & RISK FACTORS

Known Trend

The key factor/trend affecting our Group's performance for the recent years, as well as the financial period under review, is the intensifying market competition for the footwear and apparels market; which was further complicated due to the economic uncertainties and geopolitical tensions. Our Group had taken the following initiatives to mitigate the impact arising from the intensifying market competition:

- (i) Stepped up the efforts in securing additional ODM production orders, to diversify the revenue base of our Group;
- (ii) Enhanced the sports shoes production capability and capacity of the Group, so that our Group is more flexible in accommodating to the changes in market demands; and
- (iii) Adopted prudent cost control initiatives as well as introduced suitable initiatives to promote customer loyalty and long-term business relationship.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Principal Risk Factors

The principal risk factors faced by our Group's operations remained largely consistent with prior years, comprising the following:



Kindly refer to Statement on Risk Management and Internal Control contained in this Annual Report for further details on the key risk management processes that have been put in place by our Group to mitigate the impact of the abovementioned principal risk factors.

PROSPECTS

Looking ahead to 2025, the increasing unpredictability of global economic conditions, coupled with geopolitical tensions, may continue to pose challenges. Consumers worldwide are expected to remain cautious in their spending, while competition within the industry continues to intensify. Despite these uncertainties, the sportswear market is showing signs of recovery, though subject to evolving market dynamics.

Our Group remains vigilant in managing operational costs while proactively exploring expansion opportunities, both within China and internationally. Overseas expansion offers strategic advantages, including diversification of revenue streams, access to new markets, and enhanced resilience against domestic market fluctuations. In the post-pandemic era, we are committed to prudent operational strategies, continuously optimizing management efficiencies while actively seeking avenues for sustainable growth. Through disciplined cost control and well-calibrated expansion measures, we aim to strengthen our competitive position and establish a robust foundation for long-term stability and development.

As part of our international expansion efforts, the Company has identified Indonesia as a promising market and is currently evaluating a potential joint venture in the country. Following extensive market surveys and discussions initiated in late 2023, the Company, together with its prospective partner, Mr. Xia ZiXuan, has taken preliminary steps towards establishing a shoe manufacturing presence in Indonesia. To facilitate initial groundwork, PT NBF Shoes and Clothing was incorporated on 1 November 2023, with the Company's Director of Business Development and Foreign Investment, Mr. Ding WeiBin, serving as its legal representative.

At present, the investment in Indonesia remains under review, with key partnership terms and operational strategies still under discussion. The total investment commitment, funding structure, and governance framework have yet to be finalised. A detailed announcement will be made once the Company reaches a conclusive decision on the investment and its execution.

The Company remains committed to transparency and will provide further updates on this initiative as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of our Group. Wordings such as “expects”, “estimates”, “anticipates”, “intends”, “plans”, “believes”, “potential”, and variations of these wordings and similar expressions are intended to identify forward-looking statements. These forward-looking statements represent our Group’s expectations or beliefs concerning future events and involve inherent risks and uncertainties. Forward-looking statements speak only as of the date they are made, and one should not assume that they have been revised or updated in the light of new information or future events. Accordingly, undue reliance should not be placed on them. Readers should be cautioned that several factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. Trends and factors that are expected to affect our Group’s results of operations are disclosed in the above sections.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

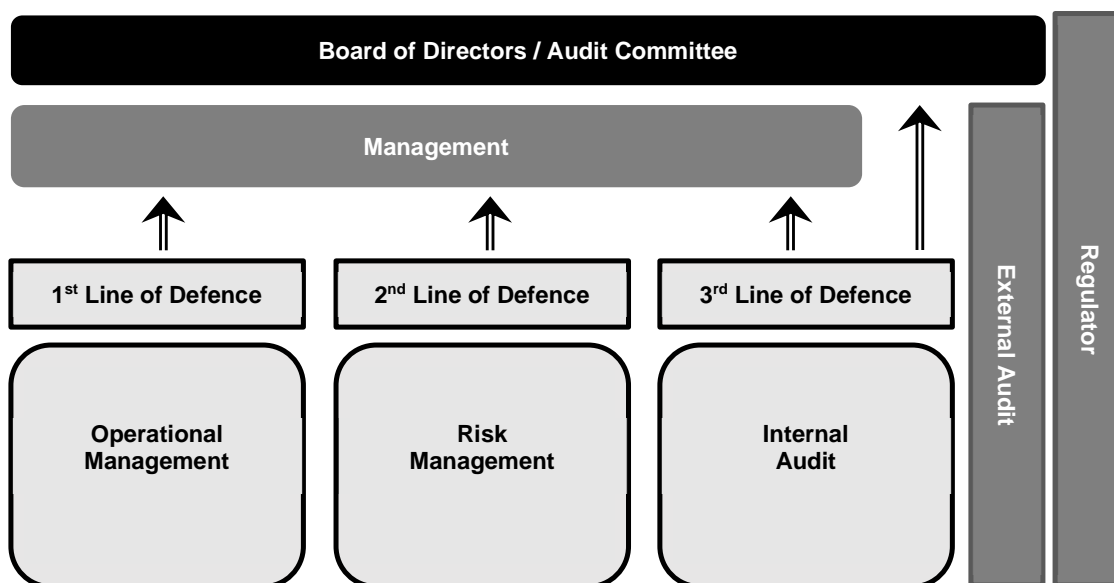
This Statement on Risk Management and Internal Control (“Statement”) is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”), and has been prepared in accordance with guidelines set out in the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* endorsed by Bursa Securities.

BOARD’S RESPONSIBILITIES

The board of directors of the Company (“Board”) affirms its oversight responsibility for establishing and maintaining a sound risk management and internal control system to manage the risk exposure of the Company and its subsidiaries (“Group”), and for reviewing its adequacy and effectiveness.

Such risk management and internal control system is designed to identify, evaluate and manage the Group’s risks within an acceptable tolerance level established by the Board and the Management; rather than to eliminate, the risks of non-adherence to the Group’s policies, procedures and practices and failure to achieve the Group’s goals and objectives. Accordingly, the system can only be relied upon to provide reasonable and not absolute assurance against the occurrence of any material misstatement of management and financial information, losses, fraud or breach of laws and regulations.

The Board has established three lines of defence to safeguard the effective functioning of the Group’s risk management and internal control system as depicted below:



○ 1st Line of Defence

The Board is assisted by the Management (led by the Executive Directors) in implementing the approved policies and control procedures for the Group’s day-to-day operations.

○ 2nd Line of Defence

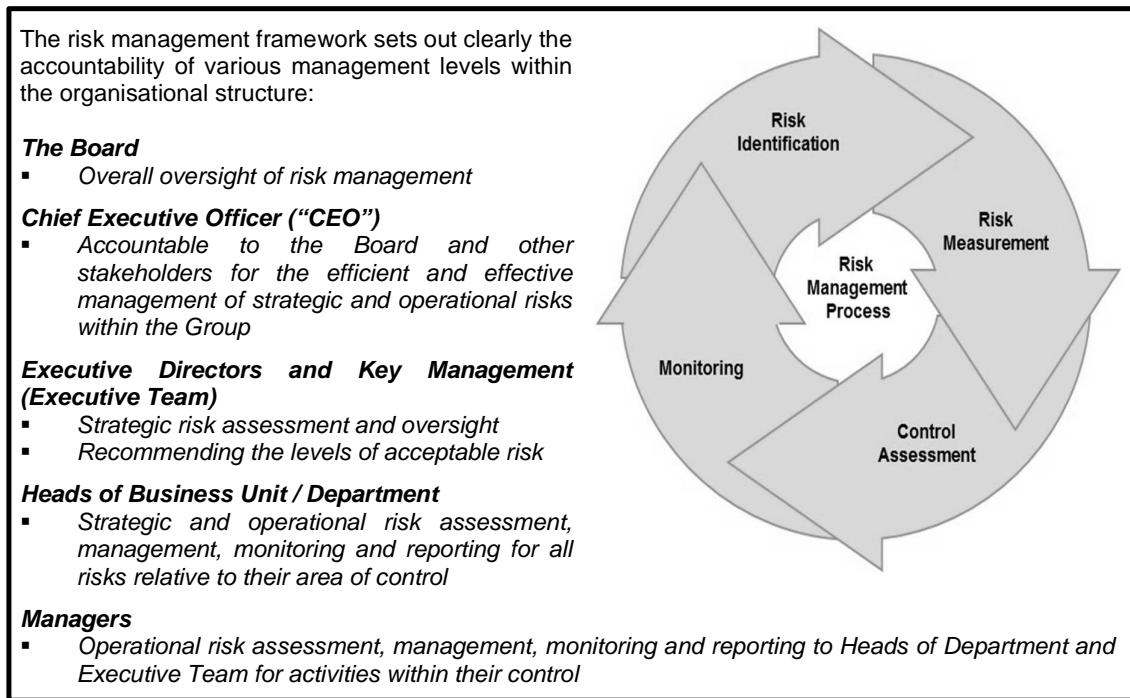
The Board is assisted by the Management in identifying and evaluating the risks faced by the Group’s operations as well as implementing appropriate action plans / control measures to manage the risks; and by the outsourced independent internal auditors and Audit Committee in monitoring and reviewing the effectiveness of the risk management framework.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- **3rd Line of Defence**
The Board is assisted by the outsourced internal auditors and Audit Committee in obtaining independent assurance on the adequacy and effectiveness of the Group's risk management and internal control system. The outsourced internal auditors perform independent review of the Group's risk exposures and control activities. Findings identified during the course of internal audit, Management's responses thereto and actions taken / recommended improvement action plans to be implemented are tabled to the Audit Committee for review and deliberation. Matters discussed at the Audit Committee's meetings will be minuted and reported to the Board for notation.

RISK MANAGEMENT

The Group adopts a structured approach to risk management, as summarised below:



Risks are rated in the context of prevailing operating environment, and after taking into consideration the likelihood of occurrence and the consequential impact. The principal risks (those rated to be high or moderate) faced by the Group together with the key risk management processes are outlined below:

Principal risks	Key Risk Management Processes
<ul style="list-style-type: none"> ▪ Non-recoverability of trade debts 	<ul style="list-style-type: none"> ✓ Periodic reconciliation of outstanding balance with customers, and continuous follow-up on amount exceeding credit term. ✓ Periodic review and monitoring of the trade receivables' ageing analysis.
<ul style="list-style-type: none"> ▪ Unfavourable macro and industry-related regulations and policies 	<ul style="list-style-type: none"> ✓ Maintain regular communication with local authorities to keep abreast with policies and requirements. ✓ Where necessary, obtain clarification and confirmation from the local authorities. For example, in relation to statutory payments. ✓ Regular update on new policies and measures implemented by the central government.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Principal risks	Key Risk Management Processes
<ul style="list-style-type: none"> ▪ The impact of global economic uncertainties on China's economy 	<ul style="list-style-type: none"> ✓ Maintain close monitoring on payments and collections. ✓ Assess the needs for expansion from time to time.
<ul style="list-style-type: none"> ▪ Market competition and loss of customers 	<ul style="list-style-type: none"> ✓ Concentrate on sports shoes manufacturing. ✓ Monitor the market development closely and adopt a prudent strategy on expansion and new product offerings in view of the intensifying competition within China domestic market. ✓ The Group's sales and marketing team to have regular communication with customers, to maintain close relationship and rapport with our customers.
<ul style="list-style-type: none"> ▪ Natural disaster / pandemic 	<ul style="list-style-type: none"> ✓ Comprehensive insurance coverage on assets. ✓ Regular update on alert / instructions issued by the local authority. ✓ Management to issue directive to employees based on the alert / instructions issued by the local authority. ✓ Adhere to the standard operating procedures, directives and preventive measures promulgated by the local authorities to minimise the risk of exposure to pandemic. ✓ Prompt remedial actions to recover and remedy any damages / disruption caused by natural disaster / pandemic.

The Board is assisted by the Audit Committee 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 tabled to the Audit Committee for deliberation before reporting to the Board for deliberation and approval.

INTERNAL CONTROL

The key elements of the internal control system of the Group are as follows:

Control Environment
<ul style="list-style-type: none"> ○ Clearly defined lines of accountability and delegated authority <p>The Board and Management have established an organisational structure with clearly defined lines of accountability and delegated authority.</p>
<ul style="list-style-type: none"> ○ Active participation by top management <p>The Executive Directors actively participate on the day-to-day affairs of the Group, 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. The Board believes that active involvement by the Executive Directors would reinforce the awareness on the importance of a proper internal control system throughout the organisation.</p>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Control Environment (cont'd)

○ **Oversight function by Audit Committee**

The Board has established an Audit Committee comprising mainly Independent Non-Executive Directors to assist the Board 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.

Information & Communication

○ **Human resource management**

The Management has put in place formal policies for both the recruitment of employees and resignation of employees. New employees are briefed on the rules and requirements as contained in the Employee Handbook, and the company's policies. Leaving employees are interviewed to understand, and record in writing, the reason for resignation.

○ **Code of ethics and conduct**

The Board has established and adopted a formal code of ethics and conduct, which sets out the principles and standards of behaviour that are expected of employees.

○ **Whistle-blowing policy**

The Board has established a whistle-blowing policy and procedures to provide guidance for employees to report on actual or suspected malpractice, misconduct or violation of laws, regulations and policies.

Control Activities

○ **Formal operating policies, procedures and processes**

The Management has established formal operating policies and procedures for the various key functions of the Group's operations to ensure that control measures are in place to govern the day-to-day affairs.

○ **Insurance**

The Group has procured insurance coverage on its assets to safeguard the Group from financial losses in the event of mishap.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Monitoring

o Periodic reporting and review

Periodic meetings are held by the Board to review the financial results of the Group and discuss on operational matters, with all members of the Board accorded full and unrestricted access to information. The participation by the Independent Non-Executive Directors ensures that all major decisions are subject to appropriate level of independent, objective evaluation.

Quarterly financial reports and annual audited financial statements are reviewed by the Audit Committee, prior to the Board's approval for announcement.

The Board has engaged the services of an independent professional internal audit firm to carry out the internal audit function, whereby the internal auditors' findings are circulated to the Audit Committee periodically at their meetings.

INTERNAL AUDIT FUNCTION

An independent professional internal audit firm, alphaOne Governance Sdn Bhd has been engaged by the Company to carry out the internal audit function, to provide much of the assurance the Board requires regarding the adequacy, integrity and effectiveness of the internal control system of the Group.

The Audit Committee is entrusted by the Board to assist in evaluating and reviewing the adequacy and effectiveness of the internal control system of the Group. To ensure independence, the outsourced internal auditors report directly to the Audit Committee.

During the financial period from 1 July 2023 to 31 December 2024 ("financial period under review"), the internal audit of the Group was carried out in accordance with the 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 report is also circulated to the Management so that they can have a clear picture on the overall status of the control mechanism in place. Summary of the internal audit activities during the financial period under review is disclosed under the Audit Committee Report of this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement in accordance with scope set out in the *Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* ("AAPG 3"), issued by Malaysian Institute of Accountants.

AAPG 3 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. AAPG 3 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement, in all material respects:

- (a) has not been prepared 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*; or
- (b) is factually inaccurate.

CONCLUSION

The CEO and Deputy CEO cum Chief Operating Officer 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 period under review.

The Board, after due consideration, is satisfied that the risk management and internal control system in place for the financial period 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 shareholders.

This Statement is made in accordance with the resolution of the Board dated 28 April 2025.

AUDIT COMMITTEE REPORT

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

The Committee comprises three (3) members at present, majority are Independent Non-Executive Directors as disclosed below:

Name	Position
<ul style="list-style-type: none"> ▪ Ho Pui Hold ▪ Gilbert Lau Kien Yen ▪ Ding LiHong 	<p><i>Chairman / Independent Non-Executive Director</i></p> <p><i>Member / Independent Non-Executive Director</i></p> <p><i>Member / Non-Independent Non-Executive Director</i></p>

The composition of the Committee complies with the requirements as prescribed under Paragraph 15.09 and 15.10 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Practice Note 13 of Bursa Securities.

Duties and Responsibilities

The Committee is governed by its terms of reference, which were drawn up in accordance with the requirements stipulated by the Listing Requirements of Bursa Securities and approved by the Board. Terms of reference of the Committee can be accessed on the Company’s corporate website at www.xidelang.com.my.

The Committee is established to assist the Board in fulfilling the oversight responsibilities for the following core areas:

- (a) Risk Management and Internal Control
 - Assist the Board in identifying the principal risks faced by the Company and its subsidiaries (“Group”) and ensuring implementation of appropriate systems to manage these risks.
 - Oversees the Company’s internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company and its subsidiaries’ (“Group”) assets from misappropriation and encourage legal and regulatory compliance.
 - Overall oversight responsibilities over internal audit function.
 - Review the Company’s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- (b) Financial Reporting
 - Propose best practices on disclosure in interim financial reports and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.
 - Review the interim and annual financial reports of the Company and of the Group, prior to the approval of the Board for announcement, focusing on:
 - Any changes in accounting policies and practices
 - Any significant adjustments arising from the audit
 - Any significant and unusual events
 - The appropriateness of the going concern assumption
 - Compliance with accounting standards and other legal requirements

AUDIT COMMITTEE REPORT (CONT'D)

(c) External Audit

- Recommend to the Board on the appointment and re-appointment of the External Auditors and their audit fees.
- Review the following and report to the Board:
 - The audit plan tabled by the External Auditors
 - The audit report issued by the External Auditors
 - The assistance given by the employees to the External Auditors
 - The External Auditors' management letter and management's responses thereto
 - Any significant audit findings, reservations, difficulties encountered, or material weaknesses reported by the External Auditors
 - Any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions over management integrity
 - Any letter of resignation from the External Auditors and questions of resignation or dismissal
 - Whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment
- 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 if necessary).

Attendance of Meetings

Committee Members	Attendance of Meetings
▪ Ho Pui Hold	7/7
▪ Gilbert Lau Kien Yen (appointed on 30 August 2023)	7/7
▪ Ding LiHong (appointed on 30 August 2023)	7/7

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.

All the proceedings at the Committee meetings were properly taken minutes by the Company Secretary and kept as part of the statutory records of the Company. The minutes of meetings were circulated to the Committee members, and to all other members of the Board.

Summary of Activities

During the financial period from 1 July 2023 to 31 December 2024 ("financial period under review"), the Committee had carried out the following activities in discharging its roles and responsibilities:

(i) Financial Reporting

- Reviewed the unaudited interim financial reports, before recommending them to the Board for approval and public announcement. In reviewing the unaudited interim financial results, the Committee had considered the following:
 - (i) The appropriateness of the basis of preparation, in particular, the accounting policies and practices adopted and applied as well as the impact of the new accounting standards that came into effect during the financial period under review; and

AUDIT COMMITTEE REPORT (CONT'D)

- (ii) The analysis on financial performance. The Committee had sought clarifications from the Management on the reasons and underlying factors for the changes in the financial results, particularly on the Group's revenue, profitability and expenses; and ensured that consistent disclosures were made in the interim financial reports.
- Reviewed the audited financial statements, before recommending them to the Board for approval and public announcement. In reviewing the audited financial statements, the Committee had communicated with the External Auditors with particular focus on:
 - (i) Compliance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, and other relevant legal and regulatory requirements; and
 - (ii) Significant audit and accounting matters highlighted, significant judgements made by the Management in preparing the financial statements as well as significant events and/or transactions during the financial year/period under review; and how these matters were addressed.

The review of the audited financial statements for the financial year ended 30 June 2023 was conducted in October 2023; whilst the review of the audited financial statements for the financial period from 1 July 2023 to 31 December 2024 was conducted after the period-end, in April 2025.

- Reviewed the disclosures made within the Annual Report, particularly the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control, prior to the Board's approval.

The review of the Annual Report for the financial year ended 30 June 2023 was conducted in October 2023; whilst the review of the Annual Report for the financial period from 1 July 2023 to 31 December 2024 was conducted after the period-end, in April 2025.

- (ii) Risk Management and Internal Control
 - Reviewed the report tabled by the Internal Auditors.
 - Communicated with the Management on the Internal Auditors' findings to ensure that appropriate remedial actions and improved procedures are implemented. The Committee also obtained update on the status of implementation for past findings via follow-up review by the Internal Auditors.
- (iii) External Audit
 - Reviewed with the external auditors the results of the audit for the financial year ended 30 June 2023, the audit report, management letter including the management's responses thereto and the extent of compliance with legal and regulatory requirements.
 - Reviewed the audit plan for the financial period from 1 July 2023 to 31 December 2024.
 - The Committee had obtained assurance from the External Auditors that they have complied with the relevant ethical requirements regarding professional independence.
 - After the period-end, in April 2025, reviewed with the External Auditors the results of the audit for the financial period from 1 July 2023 to 31 December 2024, the audit report and the extent of compliance with legal and regulatory requirements.

AUDIT COMMITTEE REPORT (CONT'D)

(iv) Other Matters

- Reviewed the related party transactions of the Group, to ensure that they are based on terms favourable to the Group. The Committee noted that there was no related party transaction being entered into by the Group during the financial period under review.
- Reviewed the litigation matters of the Group. The Committee noted that there was no outstanding/unresolved litigation matter involving the Group during the financial period under review.
- Reviewed the financial assistance provided by the Group. The Committee noted that there was no financial assistance provided by the Group to third parties during the financial period under review.

Internal Audit Function

The Company has outsourced the internal audit function to an independent external professional firm, namely alphaOne Governance Sdn Bhd (“the Internal Auditors”).

The Internal Auditors report directly to the Committee. The primary role of the internal audit function is to review the adequacy and effectiveness of the Group’s risk management and internal control system, and this is performed with impartiality, proficiency and due professional care. Total costs incurred by the Group for internal audit activities, during the financial period under review, amounted to approximately RM25,000.

Internal audit function adopts a risk-based auditing approach by focusing on reviewing identified 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.

During the financial period under review, the Internal Auditors had carried out independent review on inventory management and production costing. The Internal Auditors concluded that the no significant control weaknesses were noted, with 1 suggestion for future enhancement notwithstanding that the Internal Auditors noted no significant risk of inadequacy or deficiency based on the prevailing process and procedures.

The findings, together with the management responses thereto and the recommended action plan, had been documented in the Internal Auditors’ Report and tabled directly to the Committee for monitoring.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement (“CG Statement”) provides an overview on the extent of how our Group has applied the three (3) key principles of good governance as set out in the Malaysian Code on Corporate Governance (“MCCG”).

Recognising that proper corporate governance framework is one of the crucial factors that contributes to the intrinsic value of an organisation, our Group endeavours to ensure that the practices and guidance advocated in the MCCG are applied within our Group where applicable and appropriate to create and deliver long-term and sustainable shareholders’ value.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD COMPOSITION

The Board of Directors of the Company (“Board”), at present, consist of 1 Non-Independent Non-Executive Chairman, 2 Executive Directors, and 2 Independent Non-Executive Directors.

Members of the Board, and their respective attendance record for the Board meetings conducted during the financial period from 1 July 2023 to 31 December 2024 (“financial period under review”) are as follows:

Name	Designation	Attendance
Ding LiHong (<i>Re-designated on 30 August 2023</i>)	Non-Independent Non-Executive Chairman	7/7
Ding PengPeng	Managing Director / Chief Executive Officer (“CEO”)	7/7
Ding PengWan	Executive Director / Deputy CEO cum Chief Operating Officer (“COO”)	7/7
Ho Pui Hold	Independent Non-Executive Director	7/7
Gilbert Lau Kien Yen (<i>Appointed on 30 August 2023</i>)	Independent Non-Executive Director	7/7

For the financial period under review, the Company departed from the recommended practice of the MCCG that at least half of the board shall comprise independent directors. Notwithstanding that, this does not impair the ability of the Board to operate effectively as deliberations of the Board are conducted in an open and unbiased manner where all members can express their views without any undue pressure or restriction. In addition, the Non-Independent Directors are required to abstain from deliberating on matters that they may be deemed interested in.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

2. BOARD CHARTER & CODE OF ETHICS AND CONDUCT

A board charter ("Charter") has been drawn up, the primary objectives of which are to promote high standards of corporate governance and to clarify the roles, responsibilities, functions, compositions, operation and processes of the Board. The Board reviews the Charter periodically, as and when there are changes to the governance structure or applicable requirements, to ensure compliance with the relevant standards of corporate governance. The Charter can be accessed at the Company's corporate website at www.xidelang.com.my ("Corporate Website").

To enhance the professionalism and integrity of our employees, a formal Code of Ethics and Conduct has been put in place; outlining the standards of business conduct and ethical behaviours that all personnel of our Group (including the Directors) must adhere to in discharging their duties and responsibilities. The Code of Ethics and Conduct can be accessed on the Company's Corporate Website.

A whistle-blowing policy has also been put in place by our Group to provide an avenue for employees to raise their concerns and voice out any malpractices, wrongdoing, abuse of power, conflict of interest, corruption or non-compliance within our Group; to promote accountability and to enhance personal ethics in the dealings of our Group.

The Group also adopted the Anti-Bribery & Anti-Corruption Policy & Guidelines as part of the Group's commitment to prohibit bribery and corruption in the business conduct of the Group.

3. BOARD RESPONSIBILITIES

The Board is collectively responsible for formulating and reviewing the strategic objectives and key policies of our Group, as well as charting the strategic direction for our business operations. In addition to that, the Board also assumes the overall responsibility for the following:

- Strategic allocation of resources to align with the overall objectives of our Group;
- Monitoring of our Group's financial performance, financial position and cash flows;
- Evaluation and management of the principal risks faced by our Group;
- Implementation and review of risk management and internal control systems;
- Succession planning; and
- Development of investor relations programme and shareholders' policy.

The Board, assisted by the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, provides effective oversight over our Group's operations. Members of the Board exercise due diligence and care in discharging their responsibilities and act in the best interests of our Group and shareholders.

The functions of Executive and Non-Executive Directors are distinguished and clearly defined. The primary roles and responsibilities of the respective members of the Board are summarised below:

Chairman	<ul style="list-style-type: none"> ○ Provides leadership to the Board. ○ Ensure the efficient organisation and conduct of the Board. ○ Monitor Board's performance annually. ○ Facilitate Board's discussions to ensure core issues faced by our Group are addressed. ○ Brief all Directors in relation to issues arising at Board meetings. ○ Facilitate the effective contribution and ongoing development of all Directors. ○ Promote consultative, constructive, professional and respectful relations among Board members and between the Board and Management. ○ Chair shareholder meetings.
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CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Managing Director / CEO	<ul style="list-style-type: none"> o Perform executive management of our 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 our 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 our 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 our Group. o Supervise heads of divisions and departments who are responsible for all functions contributing to the success of our 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 Assist and support the Managing Director / CEO to carry out his responsibilities. o To assume the role of CEO in the absence of Managing Director / CEO.
COO	<ul style="list-style-type: none"> o Monitor and manage day-to-day operations of our Group and keeping the Managing Director / CEO aware with the significant events of our Group. o Ensure our Group's operations in line with the short and/or long-term strategic planning of our Group. o Communicate our Group's operational strategies and policies to the employees. o Evaluate our 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 our Group.
Independent Non-Executive Directors	<ul style="list-style-type: none"> o Responsible for providing unbiased, independent and professional views, advice and judgement, taking into consideration the interests of our Group and all its stakeholders. o Performance monitoring and enhancement of corporate governance and internal controls.

Executive Directors

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 as well as properly constituted Board committees. The Board committees are entrusted with specific duties and responsibilities to oversee our 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Executive Directors assume the primary responsibility for managing our Group's resources and daily operations. The Executive Directors, representing the 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 multi-year business plans and forecast for consideration and approval. From time to time, corporate proposal(s) that are considered beneficial to our Group are tabled 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 on any significant deviation.

The Management's authority limits for our 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 refers to 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.

Independent Non-Executive Directors

The Independent Non-Executive Directors 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 our Group. The Independent Non-Executive Directors bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the financial performance of our Group, and monitor the overall risk profile of our 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 our Group's operations.

4. 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 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.

The Nomination Committee, in connection to the nomination process, has full authority to:

- 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 "conflict 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 on the candidates for nomination or re-nomination as Board members.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 3 or a multiple of 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 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 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, emphasising primarily on the working experience and knowledge of the candidate; unbiased in respect of race, religion and gender.

The Board is satisfied with the mix of skills, experience, and industry-specific knowledge gained to-date by the respective Directors. At present, the Board consists of Executive Directors with extensive industry knowledge and experience, and Independent Non-Executive Directors with well-balanced mix of knowledge and experience on corporate management, corporate finance and financial reporting, and legal and regulatory requirements.

During the financial period under review, our Group has 1 female Non-Independent Non-Executive Director and 1 female Executive Director. This is in adherence with the recommended practice of the MCCG that the board shall have at least 30% of women directors. At this juncture, the Board is of the opinion that maintaining an unbiased gender policy in relation to the board and senior management will be more constructive and beneficial to our Group.

The Board takes note of the following recommended practice of the MCCG that:

- The tenure of an independent director should not exceed a cumulative term of 9 years; and
- If an independent director is intended to be retained beyond 9 years, the Board should justify the decision and seek annual shareholders' approval through a two-tier voting process.

The Board takes note of the step-up practice of the MCCG on the policy limiting the tenure of an independent director to nine (9) years and has adopted such policy. For the financial period under review, none of the Independent Non-Executive Directors of our Company have served more than nine (9) years.

5. BOARD BALANCE AND TIME COMMITMENT

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 of our existing Directors are presented under Profile of the Board of Directors contained in this Annual Report.

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

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 Directors will be able to allocate sufficient time to fulfil their fiduciary roles and responsibilities effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board is satisfied with the level of time commitment allocated by the Directors towards fulfilling their roles and responsibilities as directors for the financial period under review, as substantiated by the good attendance of the Directors at the Board meetings.

To ensure an effective and independent supervision, all the Independent Non-Executive Directors are required to be 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.

All the existing Independent Non-Executive Directors continue to fulfil the definition of independence as stipulated in the Listing Requirements.

6. 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 re-appointment of Directors of the Company.

Criteria/aspects considered in the annual assessment of the individual Directors are summarised below:

- In respect of Non-Independent Non-Executive Chairman and Executive Directors
 - (a) Knowledge and experience of the Group's operations and products;
 - (b) Actual performance against business plan/budget;
 - (c) Commitment towards good corporate governance and effective risk management and internal control systems;
 - (d) Whether there are effective authority and approval limits in place;
 - (e) Whether there is effective decision-making process in place, where all important factors (both quantitative and qualitative) are sufficiently deliberated;
 - (f) Whether they promote healthy debate on issues and encourage participation by all Directors;
 - (g) Commitment towards maintaining a healthy level of independence for the Board and ensuring that no board dominance by an individual or certain individuals; and
 - (h) Shareholders' communication and investor relations' policies and programmes.
- In respect of Independent Non-Executive Directors
 - (a) Commitment level, particularly in terms of attendance record and active participation in the Board's deliberation;
 - (b) Independence level, particularly whether they have been able to express views and raise issues for discussion freely in ways that are constructive and in the interests of our Group;
 - (c) Knowledge and experience, particularly whether they have been able to provide adequate advice and counsel on major business issues raised;
 - (d) Commitment towards good corporate governance and effective risk management and internal control systems; and
 - (e) Whether there is effective and adequate review, supervision and monitoring on our Group's strategic plans and directions, financial performance, governance structure and risk management and internal control mechanisms.

The performance assessment by the individual members of the Board were compiled and evaluated by the Nomination Committee, with the findings tabled to the Board for consideration. The Nomination Committee had collectively assessed, reviewed and evaluated the performance and effectiveness of the Board as a whole, the contribution by the individual members of the Board and the committees set up to assist the Board. Based on the evaluation, the overall performance of the Board as a whole, the individual members of the Board and the committees set up to assist the Board were satisfactory.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

7. BOARD COMMITTEES

The Board, in discharging its duties and responsibilities, is assisted by the several board committees including Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee (collectively referred to as “Board Committees”).

Each of the Board Committees operate within the clearly defined terms of reference approved by the Board. The functions and terms of reference of the respective Board Committees, as well as the authority delegated by the Board to the Board Committees, are reviewed from time to time to ensure they remain relevant, up to date and comply with the applicable rules and regulations.

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 always subject to the Board’s collective approval.

For the financial period under review, the Company departed from the recommended practice of the MCCG that the chairman of the Board should not be a member of the Audit Committee, Nomination or Remuneration Committee; and the recommended practice of the MCCG that the chairman of the Nomination Committee should be an Independent Director or the Senior Independent Director. Notwithstanding that, this does not impair the ability of these committees to operate effectively as deliberations of these committees are conducted in an open and unbiased manner where all members can express their views without any undue pressure or restriction. In addition, these committees consist majority of Independent Non-Executive Directors, which help to ensure that the deliberations of these committees are being conducted in an unbiased manner.

Nomination Committee

Name	Designation	Attendance
Ding LiHong (Appointed on 30 August 2023)	Chairman	3/3
Ho Pui Hold	Member	3/3
Gilbert Lau Kien Yen (Appointed on 30 August 2023)	Member	3/3

For the financial period under review, our Nomination Committee comprises 1 Non-Independent Non-Executive Director and 2 Independent Non-Executive Directors.

The Nomination Committee is governed by its terms of reference approved by the Board, which has been published under the Company’s Corporate Website (*Investor Relations Section – Corporate Governance*).

Nomination Committee is responsible for the following:

- Review and discuss the performance and contribution of the Executive Directors;
- Review and discuss the performance and contribution of the Independent Non-Executive Directors;
- Assess the performance of the Board (as a whole) as well as the contribution of the respective Board Committees; and
- Evaluate the Directors that shall retire pursuant to the Bye-Laws of the Company and made recommendation for their re-election.

The Nomination Committee members must abstain from deliberating and voting on matters related to themselves.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Remuneration Committee

Name	Designation	Attendance
Ding LiHong (Appointed on 30 August 2023)	Chairman	3/3
Ho Pui Hold	Member	3/3
Gilbert Lau Kien Yen (Appointed on 30 August 2023)	Member	3/3

For the financial period under review, our Remuneration Committee comprises 1 Non-Independent Non-Executive Director and 2 Independent Non-Executive Directors.

The Remuneration Committee is governed by its terms of reference approved by the Board, which has been published under the Company's Corporate Website (*Investor Relations Section – Corporate Governance*).

8. INFORMATION AND SUPPORT TO THE BOARD

Access to Information and Advice

The Board is scheduled to meet at least quarterly to discuss the operations and financial performance of our 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, 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 with a copy maintained at the Registered Office in Malaysia.

The Board enjoys full and unrestricted access to all information pertaining to our Group's affairs. In discharging their duties, the Board has full access to the advice and services of the Company Secretary and the Assistant Secretary 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, and the expenses shall be borne by our Group.

Any request of information/enquiry will be communicated to the Company Secretary, 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 Secretary 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Training

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. Directors recognise the importance of continuing professional development and the need for continuous update and training. During the financial period under review, individual Directors kept abreast with the changes and developments in the marketplace and the corporate regulatory framework primarily through the following channels:

- Briefings by the Company Secretary, Internal and External Auditors during the quarterly meetings;
- Daily work exposures and involvements in chamber of commerce and industry-related associations;
- Sharing of knowledge and information with other Directors, through the interactions during the Board meetings;
- Personal readings; and/or
- Structured training programmes.

Set out below are training programmes participated by existing individual Director during the financial period under review:

Name of Director	Title of Training Programmes
Ho Pui Hold	<ul style="list-style-type: none"> ○ Mandatory Accreditation Programme Part II: Leading for Impact (LIP) ○ Management of Cyber Risk ○ Tax Webinar of Malaysia Budget 2024 and E-Invoice ○ SC's Audit Oversight Board Conversation with Audit Committee ○ The Art of Corporate Strategy ○ Safeguarding Supreme Audit Institutions ○ A New Frontier of Sustainability Reporting in PFM ○ How Can Countries Develop an Effective PFM Reform Strategy ○ Innovative Strategies for Public Sector Productivity ○ Unexpected Leaders, Unmatched Impact: AI in Public Finance ○ Building Global Markets Community & Access Capital ○ 2025 Budget Seminar
Gilbert Lau Kien Yen	<ul style="list-style-type: none"> ○ Mandatory Accreditation Programme (MAP)

The Board takes cognisance of the importance for individual Directors to participate in structured training programmes from time to time and will get the assistance from the Company Secretary to identify and recommend suitable structured training programme for the Directors' participation in the future.

Suitably Qualified and Competent Company Secretary

The Company Secretary and the Assistant Secretary engaged by the Company are licensed company secretarial 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 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 taken minutes and kept. In particular, the Company Secretary:

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

- 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 ("AGM") and special general meeting ("SGM") (where applicable); and
- Assist the Company in making filings and submissions with the authorities.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its duties and responsibilities.

9. DIRECTORS' REMUNERATION

The objective of our 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 our Group's business; and to encourage and motivate the Directors to focus on a strong market position of our 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, considering both size and business complexity.

For Non-Independent Non-Executive Chairman and Executive Directors

The key elements of our Group's remuneration policy are set out below:

- (i) The remuneration package shall take into consideration the individual performance, service seniority, experience and responsibilities of the individual Executive Directors; and align to the corporate performance particularly the profitability of the Group.
- (ii) The remuneration package shall consist of both fixed element (annual salary) and variable element (bonus).
- (iii) The remuneration package shall be competitive and comparable to the pay level offered by other companies within similar industry.

The remuneration package for the Non-Independent Non-Executive Chairman and Executive Directors shall be subject to review by the Remuneration Committee, the details of which for the financial period under review are set out below:

	Salary RMB'000	Bonus RMB'000	Total RMB'000
Ding LiHong	1,061	700	1,761
Ding PengPeng	1,061	1,000	2,061
Ding PengWan	442	500	942
Grand Total (*)	2,564	2,200	4,764

Remark

(*) Paid/Payable by a subsidiary company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

For Independent Non-Executive Directors

The key elements of our Group's remuneration policy are set out below:

- (i) The fees payable shall be commensurate with market trends, length of service and seniority, duties and responsibilities entrusted upon them as well as level of contribution.
- (ii) The fees payable shall be a fixed sum, with additional allowance for attendance of meeting.
- (iii) The fees payable to the Independent Non-Executive Directors shall be subject to shareholders' approval at the AGM.

The determination of the remuneration package of Independent 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.

Details of the remuneration for each of the Independent Non-Executive Directors incurred during the financial period under review are set out below:

	Total Fees/ Emoluments RMB'000
Ho Pui Hold	184
Gilbert Lau Kien Yen	141
Grand Total (**)	325

Remark

(**) Paid/Payable by the Company.

10. SUCCESSION PLANNING

Succession planning is embedded within our Group's organisational structure, where the top management (led by the Executive Directors) are supported by middle management personnel for the key functions of our Group's operations. This helps to ensure continuity of our Group's operations in the event of mishap or sudden departure of any key personnel.

Continuity is also preserved at the Board level.

For the executive capacity, while there are clear segregation of roles and responsibilities for the Executive Chairman, the Managing Director / CEO and the Executive Director / Deputy CEO cum COO, each of them is capable and competent of assuming the primary executive management function in the event of unforeseen emergency.

For the non-executive capacity, our Group presently has 1 Non-Independent Non-Executive Chairman and 2 Independent Non-Executive Directors. This applies also to the Board committees, where the composition consists of a minimum of 3 members.

The Board has delegated the authority and responsibility of formulating appropriate succession planning strategy for senior management levels to the Executive Directors. The appointment of Director and/or key officers (namely the CEO, the Deputy CEO, the COO and/or the chief financial officer) remains to be matter reserved for the Board (as a whole) to decide.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE

For the financial period under review, the Audit Committee is established by the Board and consists of 3 members, majority are Independent Non-Executive Directors. The Chairman of the Audit Committee is appointed by the Board and is not the Chairman of the Board.

The composition of the Audit Committee and a summary of its activities are set out in the Audit Committee Report contained in this Annual Report.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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 our 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 our Group; and
- (f) Findings are coordinated by the Risk Management Committee and subsequently reported to the Audit Committee and the Board for review and deliberation.

For the financial period under review, the Risk Management Committee comprises the following members:

Name	Designation
Ding PengWan	Chairman
Ding Peng Peng	Member

The Board takes note of the step-up practice of the MCCG which advocates that the Risk Management Committee members should majority consist of independent directors. During the financial period under review, our Risk Management Committee consists of 2 Executive Directors. Notwithstanding that the Risk Management Committee comprises only two members for the financial period under review, the Company adopts a collaborative and inclusive approach to risk governance. When matters relating to risk identification, assessment, and mitigation are discussed, the heads of relevant departments or divisions are invited to participate in the discussions. This ensures that risk deliberations are grounded in operational realities and supported by subject matter expertise from across the organisation. Such engagement facilitates a more holistic evaluation of risks and enhances the effectiveness of the Company's overall risk management framework.

For the financial period under review, the Board is also assisted by the Audit Committee (which consists majority of Independent Non-Executive Directors) in overseeing the effectiveness of the Company's risk management framework and policies. Accordingly, the Board is of the opinion that the deviation from the step-up practice does not expose the Group to the threat of material deficiencies in risk management function.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The identified risks are classified into appropriate categories and encompass:

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

The impacts of principal risks have been measured, and appropriate internal controls identified, to ensure that they are maintained within acceptable and moderate level. Further discussion on the risk management framework and internal control systems adopted by our Group, the principal risks faced by our Group and the processes put in place to monitor and manage the identified principal risks, the internal audit function and the review activities carried out during the financial period under review are set out in the Statement on Risk Management and Internal Control contained in this Annual Report.

3. RELATIONSHIP WITH AUDITORS

Independent external auditor is engaged to express an independent opinion on whether our Group's financial statements give a true and fair view of the Group's financial position and performance to the shareholders. The Board recognises this helps to reassure the shareholders on the reliability of our Group's financial statements.

The Audit Committee had obtained assurance from the Group's external auditors 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. The Audit Committee had reviewed the key members of the audit engagement team and none of them are connected to the director / major shareholders of the Group. The Audit Committee had also reviewed the fees paid or payable by the Group to the external auditors and was not aware of undue financial dependency.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

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 our Group's activities and performance to enable them to make informed evaluation and investment decision.

To this end, we have disseminated relevant information and updates on our Group's development from time to time through various medium including the annual report, interim financial reports, circular to the shareholders and other prescribed announcements lodged with Bursa Securities in its website at www.bursamalaysia.com to the extent permissible under the Listing Requirements of Bursa Securities.

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

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 regarding 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 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.

2. CONDUCT OF GENERAL MEETINGS

Our Group views the Company's AGM and SGM as another principal avenue of communication with the shareholders. The AGM and SGM serve as 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 our Group since the last meeting held. The Company is looking forward to soliciting feedbacks and views from its shareholders and answer shareholders' question on all issues pertaining to the Group at the AGM and SGM.

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

Poll Voting

The Board takes cognisance of the requirements stipulated under Paragraph 8.29A of the Listing Requirements of Bursa Securities that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. This has been adopted and will continue to be practiced in the Company's upcoming AGM and any subsequent general meeting(s).

The Company will appoint one or more scrutineers, where appropriate, to validate the votes cast at the general meeting. The Company will ensure that the scrutineer(s) appointed is not an officer of the Company or its related corporation, independent of the person undertaking the polling process, and is not interested in the resolution to be passed. The candidate(s) for the scrutineer will be determined from time to time, as and when a general meeting is called.

3. INVESTOR RELATIONS

Ms. Ding PengWan, the Deputy CEO cum COO, is designated by the Board as the primary contact person for investor relations matter. She can be reached via the corporate email at xdl@xidelang.com.cn or private email at dpw6668@163.com.

In addition to that, shareholders and the public may also 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 Board and/or any individual Director of our Group of their choice. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

RESPONSIBILITY STATEMENT BY THE BOARD

In the course of preparing the financial statements of the Group and of 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 period, the financial performance and cash flows of the Group for the financial period from 1 July 2023 to 31 December 2024.

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 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 REPORT

Pursuant to the requirement under Paragraph 15.25(2) of the Listing Requirements, our Group shall submit to Bursa Securities the status of application of each Practice set out in the MCCG during the financial period under review in the prescribed format issued by Bursa Securities. The said corporate governance report shall be announced together with the Annual Report and can be downloaded from the website of Bursa Securities at www.bursamalaysia.com (Company Announcements Section).

ADDITIONAL CORPORATE DISCLOSURES

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

Private placement and rights issue of warrants in 2012

The proceeds raised from the private placement and rights issue of warrants in 2012 amounting to RM29.7 million (translated to RMB54.8 million) have been fully utilised.

Rights Issue in 2014

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

(In RMB)		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 ("Stage 2 Construction")	Within 3 years	151,246	-	151,246	100.0	N1
(ii)	Estimated expenses in relation to the corporate exercise	Immediate	1,807	1,807	-	-	
			153,053	1,807	151,246		

(In RM)		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 ("Stage 2 Construction")	Within 3 years	83,700	-	83,700	100.0	N1
(ii)	Estimated expenses in relation to the corporate exercise	Immediate	1,000	1,000	-	-	
			84,700	1,000	83,700		

N1 The utilisation for the funds raised is expected to be within three (3) years from the commencement of Stage 2 Construction. At this juncture, taking into consideration the market volatility and uncertainty caused by the COVID-19 pandemic, this may take longer time to commence. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.

ADDITIONAL CORPORATE DISCLOSURES (CONT'D)

2. AUDIT AND NON-AUDIT SERVICES

Relevant details have been disclosed under the Note 5 to the Financial Statements.

3. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDERS

There was no material contract (not being contract 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, chief executive who is not a director or major shareholders; either still subsisting at the end of the financial period or entered into since the end of the previous financial year.

4. CONTRACT RELATING TO LOAN BY THE COMPANY

There was no contract relating to loan by the Company during the financial period from 1 July 2023 to 31 December 2024 ("financial period under review").

5. RECURRENT RELATED PARTY TRANSACTIONS

There was no recurrent related party transaction entered into by the Company and its subsidiaries during the financial period under review.

6. EMPLOYEE SHARE SCHEME

An employee share option scheme ("ESOS") was approved by the shareholders at the Special General Meeting held on 3 September 2020, with the effective date for implementation on 3 September 2020 ("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 ("Listing Requirements") of Bursa Securities, and may be extended by the Board of Directors 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.

The maximum number of new shares that may be issued and allotted under the ESOS shall not exceed 15% of the Company's total issued and paid-up share capital (excluding treasury shares, if any) at any point of time during the duration of the ESOS.

During the financial period under review, there is only one (1) ESOS in existence. The details of options granted under the ESOS since its establishment are as follows:

Financial Year	[----- ESOS -----]		
	Granted	Exercised	Outstanding
2021	311,342,300	(311,342,300)	-

No options were granted to the following persons since the commencement of the ESOS and up to 31 December 2024:

- (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 Main Market Listing Requirements are not applicable to the Company.

ADDITIONAL CORPORATE DISCLOSURES (CONT'D)

7. INTERNAL AUDIT FUNCTION

The Company has outsourced the internal audit function to an independent external professional firm, namely alphaOne Governance Sdn Bhd. Total costs incurred by the Group for internal audit activities, during the financial period under review, amounted to approximately RM25,000.

8. KEY MANAGEMENT PERSONNEL (OTHER THAN EXECUTIVE DIRECTORS)

	Salary RMB'000	Bonus RMB'000	Total RMB'000
Ding QingYa	265	300	565

The profiles of abovementioned key management personnel can be found on the Company's corporate website at www.xidelang.com.my.

SUSTAINABILITY STATEMENT

The Board of Directors of our Company ("Board") is responsible for the overall leadership and oversight in all matters concerning sustainability. The Board is supported by the Audit Committee to oversee the risk management and sustainability related matters within our Group. The Board has empowered the Executive Directors to drive the sustainability strategy from the executive level.

This Sustainability Statement describes how our Group addresses the sustainability matters that are material to the continued success of our Group's operations and presents the progress of strategies and practices implemented in managing the sustainability matters. This Sustainability Statement is inspired by the United Nation's Sustainable Development Goals ("UNSDG") and is presented in alignment with the Sustainability Reporting Guide 3rd Edition issued by Bursa Malaysia Securities Berhad.

During the financial period 1 July 2023 to 31 December 2024 ("financial period under review"), our Group has identified and emphasised on the following core areas of sustainability:

ECONOMIC AND GOVERNANCE

Our Group is committed to supporting local suppliers within the vicinity of our operations when it comes to procuring products and services for our business needs. During the financial period under review, our raw materials are predominantly sourced from local suppliers, thereby upholding our commitments to support and contribute positively to local economy.

Our Group is also committed to supporting local employment. During the financial period under review, our employees are predominantly local employees, thereby upholding our commitments to support and create employment opportunities for our home country.

Our Group is also committed to ensure compliance with local regulations, particularly in relation to payment obligations for applicable taxes. During the financial period under review, our Group has made the necessary payments in respect of all applicable taxes and is not subject to disciplinary action for breach of such obligation.

Customer satisfaction is one of the crucial factors underlying the long-term sustainability of our Group's operations.

It is the fundamental policy of our Group to ensure all final products delivered to customers must not contain hazardous element and must be of the required quality that meet the customers' and consumers' expectations.

We uphold the belief that consumer rights should be always preserved, and "value-for-money" has been the core guiding principle that we adhere to in designing and manufacturing our final products.

Our Group recognises that a comprehensive quality assurance cannot be achieved without the efficient and effective functioning of the entire supply chain, involving the following parties:

- Our Group as the manufacturer of sportswear products;
- Raw materials suppliers;
- Foreign trading / export companies (who act as the agent of overseas sportswear brands) that engage us as the ODM 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 places great emphasis in establishing and maintaining positive / mutually-beneficial relationship with all the parties.

Our Group values preventive measures over detective measures, to minimise the potential threat of disruption in the supply chain. To achieve that, we have put in place the following measures:

SUSTAINABILITY STATEMENT (CONT'D)

Internal

Appropriate control and monitoring mechanism has been implemented at various stages of the production process, to ensure early detection of error or quality issue. Quality inspection is performed upon receipt of the raw material, at the various stages of the production flow, as well as prior to the delivery of the finished products.

External

We value our close relationship with our raw material suppliers, which has been fundamental in ensuring stability of raw material supplies and providing early prompt to us in the event of any potential shortage of supply or material price increase. The proximity of our production centre to our raw material suppliers also benefits us in the manner that any quality issue can be communicated and resolved promptly, ensuring that the incoming supplies always conform to our required specification and quality.

In return for the support from our raw material suppliers, we offer them recurring orders where appropriate and full payment as and when the amounts are due and payable.

Similarly, we recognise that our foreign trading / export companies (who act as the agent of overseas sportswear brands) that engage us as the ODM manufacturer are essential to the sustainability of our ODM manufacturing operations. To this end, we always ensure products supplied are of good quality and fulfilled the specifications and requirements.

The key indicators that reflect our Group's performance on this area during the financial period under review are summarised below:

Indicator	1.7.2023 to 31.12.2024	1.7.2022 to 30.6.2023	1.7.2021 to 30.6.2022
Customer base			
▪ Number of transacted ODM customers	6	5	15
▪ Revenue from ODM segment (RM'000)	819,491	451,324	403,994
Trade payables turnover period (days)	69	71	95

The above quantitative indicators pointed towards that our Group has been able to maintain a good relationship with our customers, as evidenced by higher quantum of sales achieved from our ODM customers; and that we uphold our payment obligations to the suppliers as evidenced by the improved trade payables turnover period which fell within the average credit period extended to us by the suppliers.

ENVIRONMENT



Although our operations and production process do not post significant threat of pollutions to the environment, environmental protection remains one of our Group's core sustainability focus as a clean environment is fundamental to human development.

SUSTAINABILITY STATEMENT (CONT'D)

The layout of our Group's headquarters and production centre is specially designed to incorporate green initiatives, where the compound is surrounded by greenery landscape and plants. Our efforts have been recognised, with our Group's headquarters and production centre accredited as "Green Factory" by the Green Committee of Jinjiang City.

To prevent contamination to the surrounding public areas, our Group has put in place careful waste-handling procedures where off-cuts and other production wastes are gathered at designated area and subsequently sent to waste collection centres for proper disposal.

Our production operations are carefully monitored to minimise the wastage of raw materials consumed. In addition, our Group prioritise raw materials that are environmentally-friendly in our manufacturing of sports shoes.

The key indicators that reflect our Group's performance on this area during the financial period under review are summarised below:

Indicator	1.7.2023 to 31.12.2024	1.7.2022 to 30.6.2023	1.7.2021 to 30.6.2022
Materials utilised (RMB'000)	519,177	315,719	310,031
Sales (RM'000)	819,491	451,324	443,878
% of raw materials utilised over revenue	63.4	70.0	69.8

The % of raw materials utilised over revenue remained relatively consistent during the financial period under review as compared to prior years, indicating that there was no significant concern of wastage associated with our production operations during the financial period under review.

SOCIAL



We recognise that the dedication and commitment of our employees are one of the key factors contributing to the continuous success of our Group. They are the key to the effective functioning of our Group's various departments, including but not limited to, product design and innovation, production, warehousing and logistics, purchasing, sales and marketing, finance, administrative and other support divisions.

We have identified the following aspects which we opine are amongst the primary considerations of an employee for long-term loyalty:

- **Safe and conducive working environment.** It is our Group's policy that production floor must always be maintained clean and orderly organised for safety consideration. In addition to that, we have also incorporated certain designated areas within our Group's headquarter and production centre for our employees to carry out leisure activities, so that they can attain work-life balance.
- **Sense of belonging.** We have established accommodation within the compound of our Group's headquarter and production centre, to ease the burdens of our employees particularly those from other provinces and to help them adapt to the local environment.

SUSTAINABILITY STATEMENT (CONT'D)

- **Personal development.** On-the-job training and guidance are provided to the employees, from time to time, as the need arises.
- **Remuneration.** Our Group strives to ensure that the remuneration package offered encompasses all the staff welfare and benefits as prescribed by the local authorities and applicable labour laws and regulations and is in line with the market trend.
- **Gender Equality.** Our Group practices unbiased policy towards gender, where employees are treated equally regardless of their genders in terms of career development and advancement.

During the financial period under review, our Group did not experience any dispute with our employees although there were some staff turnovers; nor any enforcement action or penalty by the local authorities associated with industrial relations; testimonial to our Group's continued efforts in this area of sustainability. There were no work-related fatalities reported during the financial period under review.

Our Group has also carried out the following activities / initiatives to enhance the human capital aspect:

- (i) Team building activities, where the Group has organised festive celebration activities to enhance the bonding amongst the employees.
- (ii) Orientation programmes for the new employees encompassing the following:
 - Briefing on our Group's corporate cultures;
 - Briefing on internal rules and requirements applicable to our Group's operations;
 - Induction training on technical / production skills;
 - Briefing on emergency evacuation procedures; and
 - Safety training.
- (iii) Provision of assistance for our workforce who are in need.

Our Group is of the opinion that a responsible organisation should not neglect its social obligations towards the community, as the well-being of the community has significant bearing on the long-term sustainability and growth of our business.

Our Group is dedicated to make regular contribution to the community, particularly in relation to improving the welfare of senior citizens and education environment (crucial element for the development of future generations). From time to time, our Group will collaborate and support the local authorities' community-care events and functions, in terms of sponsorship, monetary donations and gifts in-kind.

LIST OF GROUP PROPERTIES

Location	Description	Existing/ Intended usage	Tenure/ Approximate age of the building	Land area/ Built-up area	Net book value as at 31.12.2024 (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 square metres	1,516
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 square metres	620
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (site for new factory building and employees' dormitories)	Leasehold for 50 years (from 31.07.2007 to 05.06.2057)	33,183 square metres	16,922
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (site for new office building and employees' dormitories)	Leasehold for 50 years (from 31.07.2007 to 25.06.2057)	34,561 square metres	18,378
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) <u>Age of the buildings</u> Approximately 11 years	67,700/ 114,453 square metres	441,948 (excluding infrastructure under construction of RMB38.03 million)

ANALYSIS OF SHAREHOLDINGS

AS AT 2 APRIL 2025

SHARE CAPITAL

Authorised Share Capital	:	USD300,000,000
Class of Shares	:	Ordinary shares of USD0.001 each
Voting Rights	:	One (1) vote per ordinary share

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

	No. of shares held	% of issued capital
HONGPENG INTERNATIONAL HOLDINGS LIMITED	458,000,000	21.64

DIRECTOR'S INTEREST

(As per Register of Director's Shareholdings)

Name of Director	No. of shares held	% of issued capital
Ding PengPeng^	458,000,000	21.64

^ Deemed interested by virtue of his major shareholdings in HongPeng International Holdings Limited

ANALYSIS BY SIZE OF HOLDINGS

(Based on the Record of Depositors)

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued capital
1 - 99	206	2.410	8,958	0.001
100 - 1,000	359	4.200	135,081	0.006
1,001 - 10,000	1,189	13.910	8,427,154	0.398
10,001 - 100,000	4,184	48.947	220,774,058	10.432
100,001 - 105,811,269 (*)	2,609	30.521	1,771,640,763	83.717
105,811,270 and above (**)	1	0.012	115,239,400	5.446
Total (***)	8,548	100.000	2,116,225,414	100.000

Remark:

* Less than 5% of issued shares

** 5% & above of issued shares

*** Excluding 250 treasury shares

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SHAREHOLDERS

(Based on the Record of Depositors)

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CLSA LIMITED (CUST-NON RES)	115,239,400	5.446
2	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BU YAW SENG (MY3086)	97,537,700	4.609
3	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SFGHK LIMITED	49,980,000	2.362
4	NG CHUNG FATT	24,011,600	1.135
5	RIAN HWA CONSTRUCTION SDN BHD	16,100,000	0.761
6	LOW MENG KEE	15,085,800	0.713
7	KHOR BEAN CHONG	15,000,000	0.709
8	CHEW CHEN HONG	14,521,200	0.686
9	LOW MIN HING	14,000,000	0.662
10	TEOH CHING WAN	12,500,000	0.591
11	OUI KEE SENG	12,150,000	0.574
12	GAN CHUAN LEE	12,000,000	0.567
13	LEE KOK SEONG	10,300,000	0.487
14	GAN KIM PHENG	9,800,000	0.463
15	YAN HOCK CHUAN	9,500,000	0.449
16	WONG NAI CHUNG	8,950,000	0.423
17	LIM PEI TIAM @ LIAM AHAT KIAT	8,600,000	0.406
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY BOON HOOI	8,000,000	0.378
19	YIN YIT FUN	7,950,000	0.376
20	LIM SIN KEAT	7,620,000	0.360
21	GAN BOON HAN	7,000,000	0.331
22	GAN KEE MENG	7,000,000	0.331
23	TAY CHYE HOCK	7,000,000	0.331
24	NG HOON LIONG	6,990,000	0.330
25	LIM SIAK FOO	6,795,400	0.321
26	YAP YUT LEONG	6,738,300	0.318
27	TAN LEE ENG	6,500,000	0.307
28	ROOPAK SINGH A/L RAGHBIR SINGH	6,228,900	0.294
29	KEN RESOURCES SDN BHD	6,000,000	0.284
30	HO WEE KEONG	5,515,000	0.261
TOTAL		534,613,300	25.265

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Group and the Company for the financial period 1 July 2023 to 31 December 2024.

Change of financial year end

The Company changed its financial year end from 30 June to 31 December. Accordingly, the financial statements for the current financial period are drawn up for the period 1 July 2023 to 31 December 2024 or a period of eighteen months.

Principal activities

The principal activities of the Company are that of investment holding and the provision of management services. The details of the subsidiaries, including their principal activities, are disclosed in Note 12 to the financial statements.

Financial results

	Group RMB'000	Company RMB'000
Net loss for the financial period	(44,743)	(1,898)

In the opinion of the directors, the results of the operations of the Group and the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial period.

Reserves and provisions

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

Issue of shares and debentures

The Company has not issued any new shares or debentures during the financial period.

DIRECTORS' REPORT (CONT'D)

Treasury shares

As at 31 December 2024, the Company held a total of 250 treasury shares of its 2,116,226,000 issued ordinary shares with the carrying amount of RMB1,000.

Share options

No options have been granted by the Company to any parties during the financial period to take up unissued shares of the Company.

No shares have been issued during the financial period by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial period, there were no unissued shares of the Company under options.

Directors

The directors of the Company in office since the end of the previous financial year to the date of this report are:

Ding LiHong	
Ding PengPeng	
Ding PengWan	
Ho Pui Hold	
Gilbert Lau Kien Yen	- Appointed on 30 August 2023

Directors' interests in shares

The shareholdings in the Company and its related companies of those who were directors at the end of the financial period, as recorded in the Register of Directors' Shareholdings kept by the Company are as follows:

	Number of ordinary shares		
	Balance as at 1.7.2023	Bought	Sold
Shareholdings in which directors are deemed to have interests:			Balance as at 31.12.2024
Ding PengPeng	458,000,000	-	-
			458,000,000

Other than as stated, none of the other directors in office at the end of the financial period had any interest in the shares of the Company and its related companies during the financial period, according to the register kept by the Company.

DIRECTORS' REPORT (CONT'D)

Directors' benefits

Since the end of previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) 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.

The total remuneration paid to and receivable by the directors for the financial period is as follows:

	Group RMB'000	Company RMB'000
Directors' fees	325	325
Directors' remuneration other than fees	4,765	-
	5,090	325

There were no arrangements during or at the end of the financial period, which had the object of enabling directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance

There was no indemnity given to or insurance effected for any directors, officers and auditors of the Company during the financial period.

Other statutory information

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

Other statutory information (continued)

In the interval between the end of the financial period and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial period in which this report is made; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

No contingent or other liability of the Group and the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

Auditors

The auditors, Messrs Russell Bedford LC PLT, have indicate their willingness to continue in office.

The auditors' remuneration for the Group and the Company during the financial period is RMB580,000 and RMB464,000 respectively.

Signed on behalf of the Board
in accordance with a resolution of the directors,

HO PUI HOLD

DING PENG PENG

Dated: 28 April 2025

STATEMENT BY DIRECTORS

The directors of XIDELANG HOLDINGS LTD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian 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 2024, and of their financial performance and their cash flows for the period 1 July 2023 to 31 December 2024.

Signed on behalf of the Board
in accordance with a resolution of the directors,

HO PUI HOLD

DING PENG PENG

Dated: 28 April 2025

STATUTORY DECLARATION

I, DING PENG PENG, being the director primarily responsible for the financial management of XIDELANG HOLDINGS LTD, do solemnly and sincerely declare that to the best of our knowledge and belief, the accompanying financial statements are correct, and I 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)
above named DING PENG PENG at Kuala)
Lumpur in Wilayah Persekutuan on)
28 April 2025)

DING PENG PENG

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF XIDELANG HOLDINGS LTD
(Incorporated in Bermuda)

1. Report on the audit of the financial statements

1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and the Company as at 31 December 2024, and the related statements of comprehensive income, changes in equity and cash flows for the period 1 July 2023 to 31 December 2024, and notes to the financial statements, including the material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2024, and of their financial performance and their cash flows for the period 1 July 2023 to 31 December 2024 in accordance with the Malaysian Financial Reporting Standards.

1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.6.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the MIA By-Laws and the IESBA Code.

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

1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current reporting period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

1.3.1 Significant components not statutorily audited by us

The principal business activities of the Group are carried out by the subsidiaries in People's Republic of China ("PRC") as disclosed in Note 12 and 24 to the financial statements. The financial statements of the subsidiaries in PRC which are not statutorily audited by us represent almost the entire financial performance and position of the Group.

As the Group auditors, we are solely responsible for the rendering of the audit opinion for the Group financial statements and, we are responsible for directing, supervising and performing the Group audit.

How the matter was addressed in the audit

We have cooperated with a PRC accounting firm ("component auditors") in accordance with the Provisional Regulations on Accounting Firms' Carrying Out Audit Services Relating To The Listing of PRC Enterprises Outside of PRC ("the Provisional Regulations") and the International Standard on Auditing 600 – Special Considerations – Audit of Group Financial Statements (including the work of component auditors) to perform a full scope audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing on the financial statements of the subsidiaries in PRC.

We have evaluated the professional competency of the component auditors and have determined the nature, timing and extent of the audit procedures to be performed by the component auditors. We performed the following procedures to direct and supervise the component auditors in carrying out the planned audit procedures:

- carried out risk assessment and determined the areas of higher assessed risk of material misstatements arising from fraud or error of the financial statements and areas that involve significant judgement;
- communicated the nature, timing and extent of the work to be performed by the component auditors;
- ensured that the component auditors carry out the audit sampling process in accordance with our risk assessment;
- reviewed the audit working papers of the component auditors and examined a sample of audit evidence obtained by the component auditors; and
- obtained assistance from our network firm in PRC to collaborate the results of the audit procedures performed in areas involving local knowledge and significant judgement.

INDEPENDENT AUDITORS' REPORT (CONT'D)

1.3.2 Other receivable in connection with the new shoe manufacturing plant in Indonesia

Included in other receivables, deposits and prepayments of the Group (Note 15.1 to the financial statements), is a refundable advance of RMB150,000,000 due from a customer in connection with the partnership agreement to establish a new shoe manufacturing plant in Indonesia.

As at the date of the financial statements, the investment agreement is still not formalised. We focus on this area due to the significant judgment involves in determining the existence and recoverability of the amount.

How the matter was addressed in the audit

Our audit procedures included, amongst others:

- circularised a balance confirmation request to the customer;
- agreed the balance to the confirmation reply from the customer;
- conducted interview with the customer to enquire the progress of the manufacturing plant and the details of partnership arrangements;
- performed virtual site visit on the manufacturing plant; and
- performed independent company search on the intended Indonesian joint venture entity to validate its existence, details and corroborate the representations made by management.

We are satisfied with the results of our procedures performed.

1.3.3 Key audit matters relating to the financial statements of the Company

We have determined that there are no key audit matters to report with respect to our audit of the financial statements of the Company.

1.4 Other information

Management is responsible for the other information. The other information comprises the information included in the Company's directors' report and annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT (CONT'D)

1.4 Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

1.5 Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

1.6 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to the members of the Company, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

1.6 Auditors' responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

2. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Gavin Foo Tun Xiang.

RUSSELL BEDFORD LC PLT
LLP0030621-LCA & AF 1237
CHARTERED ACCOUNTANTS

GAVIN FOO TUN XIANG
03405/12/2026 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Date: 28 April 2025

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD 1 JULY 2023 TO 31 DECEMBER 2024

	Note	Group		Company	
		1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Revenue	4	819,491	451,324	-	-
Cost of sales		(704,394)	(408,778)	-	-
Gross profit		115,097	42,546	-	-
Other operating income		-	300	-	-
Allowance for expected credit losses - net		(411)	795	-	-
Selling and distribution expenses		(11,749)	(430)	-	-
Administrative expenses		(153,162)	(66,080)	(1,898)	(1,469)
Loss from operations	5	(50,225)	(22,869)	(1,898)	(1,469)
Finance income	6	3,941	2,862	-	-
Finance costs	7	(230)	(538)	-	-
Net finance income		3,711	2,324	-	-
Loss before tax		(46,514)	(20,545)	(1,898)	(1,469)
Income tax credit/(expense)	8	1,771	(2,935)	-	-
Net loss/Total comprehensive loss for the period/year		(44,743)	(23,480)	(1,898)	(1,469)
Basic/Diluted loss per share (RMB)	9	(0.0211)	(0.0111)		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

		Group		Company	
	Note	31.12.2024 RMB'000	30.6.2023 RMB'000	31.12.2024 RMB'000	30.6.2023 RMB'000
Non current assets					
Property, plant and equipment	10	510,132	480,431	-	-
Land use rights	11	37,436	39,201	-	-
Investment in subsidiaries	12	-	-	644,000	644,000
Other receivable	15	-	-	329,310	331,708
		547,568	519,632	973,310	975,708
Current assets					
Inventories	13	14,233	7,646	-	-
Trade receivables	14	175,702	128,775	-	-
Other receivables, deposits and prepayments	15	164,339	-	-	-
Cash and bank balances	16	467,336	764,199	21	21
		821,610	900,620	21	21
Total assets		1,369,178	1,420,252	973,331	975,729
Equity					
Share capital	17	13,437	13,437	13,437	13,437
Reserves	18	1,223,171	1,267,914	959,259	961,157
Total equity		1,236,608	1,281,351	972,696	974,594
Non current liabilities					
Deferred tax liabilities	19	13,933	15,704	-	-
		13,933	15,704	-	-
Current liabilities					
Trade payables	20	88,093	79,783	-	-
Other payables and accruals	21	30,404	30,874	635	1,135
Tax payable		140	140	-	-
Borrowing	22	-	12,400	-	-
		118,637	123,197	635	1,135
Total liabilities		132,570	138,901	635	1,135
Total equity and liabilities		1,369,178	1,420,252	973,331	975,729

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD 1 JULY 2023 TO 31 DECEMBER 2024

	Non - distributable reserve			Distributable reserve		Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	
Group						
At 1 July 2022	13,437	42,863	(1)	858,446	49,277	1,304,831
Net loss/Total comprehensive loss for the year	-	-	-	-	-	(23,480)
At 30 June 2023	13,437	42,863	(1)	858,446	49,277	1,281,351
Net loss/Total comprehensive loss for the period	-	-	-	-	-	(44,743)
At 31 December 2024	13,437	42,863	(1)	858,446	49,277	1,236,608
	Non - distributable reserve			Distributable reserve		Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	
Company						
At 1 July 2022	13,437	42,863	(1)	858,446	61,318	976,063
Net loss/Total comprehensive loss for the year	-	-	-	-	(1,469)	(1,469)
At 30 June 2023	13,437	42,863	(1)	858,446	59,849	974,594
Net loss/Total comprehensive loss for the period	-	-	-	-	(1,898)	(1,898)
At 31 December 2024	13,437	42,863	(1)	858,446	57,951	972,696

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

STATEMENTS OF CASH FLOWS

FOR THE PERIOD 1 JULY 2023 TO 31 DECEMBER 2024

	Group		Company	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Cash flows from/(used in) operating activities				
Loss before tax	(46,514)	(20,545)	(1,898)	(1,469)
Adjustments for:				
Allowance for expected credit losses- net	411	(795)	-	-
Depreciation and amortisation	23,941	16,352	-	-
Impairment loss on land use rights	-	2,000	-	-
Interest expense	230	538	-	-
Interest income	(3,941)	(2,862)	-	-
Loss on disposal of plant and equipment	1,230	209	-	-
Plant and equipment written off	-	33	-	-
Operating loss before working capital changes	(24,643)	(5,070)	(1,898)	(1,469)
Increase in inventories	(6,587)	(1,863)	-	-
Increase in trade and other receivables	(211,677)	31,642	-	-
Increase/(Decrease) in trade and other payables	6,510	(72,937)	(500)	176
Net cash used in operating activities	(236,397)	(48,228)	(2,398)	(1,293)
Cash flows from/(used in) investing activities				
Purchase of plant and equipment	(52,270)	(2,431)	-	-
Proceeds from disposal of plant and equipment	493	49	-	-
Repayments from a subsidiary	-	-	2,398	1,293
Interest received	3,941	2,862	-	-
Net cash (used in)/from investing activities	(47,836)	480	2,398	1,293
Cash flows from/(used in) financing activities				
Proceeds from term loan	-	12,400	-	-
Repayment of term loan	(12,400)	(12,400)	-	-
Interest paid	(230)	(538)	-	-
Net cash used in financing activities	(12,630)	(538)	-	-
Net decrease in cash and cash equivalents	(296,863)	(48,286)	-	-
Cash and cash equivalents at beginning of period/year	764,199	812,485	21	21
Cash and cash equivalents at end of period/year	467,336	764,199	21	21
Cash and cash equivalents are represented by cash and bank balances	467,336	764,199	21	21

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

STATEMENTS OF CASH FLOWS (CONT'D)

Reconciliation of liabilities arising from financing activities

	1.7.2023 RMB'000	Cash flows RMB'000	Non-cash changes RMB'000	31.12.2024 RMB'000
Group				
Term loan	12,400	(12,400)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1.7.2022 RMB'000	Cash flows RMB'000	Non-cash changes RMB'000	30.6.2023 RMB'000
Group				
Term loan	12,400	-	-	12,400
	<hr/>	<hr/>	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

1. General information

The principal activities of the Company are that of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 12.

The Company 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 2016 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 36G-3, Jalan Radin Anum, Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at XiDeLang Industry Park, Neikeng Town, Jinjiang City, Fujian Province, the Peoples' Republic of China.

The financial statements were approved and authorised for issue by the board of directors on 28 April 2025.

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 accounting policies

2.1 Statement of compliance

The financial statements of the Group and the Company have been prepared and presented in accordance with the Malaysian Financial Reporting Standards.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of accounting

The financial statements have been prepared under the historical cost convention and any other bases described in the significant accounting policies.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and their related interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in accounting policies of the Group.

The amendments to MFRS 101 Disclosure of Accounting Policies became effective for application during the current reporting period. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of accounting (continued)

The amendments have an impact on the manner in which the Group's accounting policies are disclosed, but not on the measurement, recognition or presentation of any components in the Group's financial statements.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial applications.

2.3 Material accounting policy information

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is also the Company's functional currency and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

When there is a change in functional currency of foreign operations, the effect of changes in functional currency are accounted for prospectively at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Cumulative exchange differences arising from the translation of a foreign operation previously accumulated in foreign currency translation reserve are not reclassified from equity to profit and loss until the disposal of the operation.

Basis of consolidation - merger combination

When the merger method of accounting is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the cost of the investment and the nominal value of shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that the laws and statutes do not prohibit the use of such reserves. The results and financial positions of the companies being merged are included as if the merger had been effected throughout the current and previous reporting periods.

Inventories

Cost of inventories is determined on a weighted average basis.

Leases

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Critical accounting estimates and judgements

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

In the process of applying the Group's accounting policies, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period other than as follows:

(i) Measurement of expected credit losses ("ECL") allowance

The ECL for trade receivables is estimated by using provision matrix, derived from the historical credit loss experience based on the past due status of the debtors adjusted as appropriate to reflect current conditions and estimated future economic conditions. The assessment of the correlation between historical observed credit loss, forecast economic conditions and ECL is a significant estimate.

4. Revenue

Revenue represents sales of original design manufactured sport shoes to distributors.

4.1 Performance obligations

The Group manufactures and sells sport shoes. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 days from delivery. Revenue is recognised at a point in time.

4.2 Transaction price allocated to the remaining performance obligations

For practical expediency, no information is provided on the remaining performance obligations at the reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

4.3 Financing components

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Loss from operations

	Group		Company	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Loss from operations is arrived at after charging:				
Auditors' remuneration				
- current period/year	580	550	464	384
- over provision in prior years	-	(101)	-	(101)
Directors' remuneration				
- fees	325	374	325	374
- other than fees	4,765	2,891	-	-
Expenses relating to short term leases	320	638	-	-
Loss on disposal of plant and equipment	1,230	209	-	-
Plant and equipment written off	-	33	-	-
Research and development expenses	51,151	3,538	-	-
And crediting:				
Operating lease income	-	300	-	-

The Group had total cash outflows for leases of RMB320,000 (30.6.2023: RMB638,000).

Staff costs comprise:

	Group		Company	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Social security contribution expenses	8,869	4,793	-	-
Salaries, bonus, allowances and overtime	191,828	112,329	325	374
Other employee related expenses	232	117	-	-
	<u>200,929</u>	<u>117,239</u>	<u>325</u>	<u>374</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Loss from operations (continued)

The key management personnel of the Group and the Company whose remuneration is analysed as follows:

	Group		Company	
	1.7.2023	1.7.2022	1.7.2023	1.7.2022
	to	to	to	to
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
Directors' remuneration				
- fees	325	374	325	374
- other than fees	4,765	2,891	-	-
Other key management personnel remuneration	565	319	-	-
	<u>5,655</u>	<u>3,584</u>	<u>325</u>	<u>374</u>

6. Finance income

	Group	
	1.7.2023	1.7.2022
	to	to
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Interest income from bank accounts	<u>3,941</u>	<u>2,862</u>

7. Finance costs

	Group	
	1.7.2023	1.7.2022
	to	to
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Interest expense on term loan	<u>230</u>	<u>538</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Income tax credit/(expense)

	Group	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Expected income tax payable	-	-
Deferred tax (Note 19)		
- current period/year	1,771	(2,935)
	<u>1,771</u>	<u>(2,935)</u>

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Loss before tax	(46,514)	(20,545)
Taxation at statutory tax rate of 25% (30.6.2023: 25%)	11,629	5,136
Expenses not deductible for tax purposes	(4,795)	(3,347)
Withholding tax on undistributed profits of People's Republic of China ("PRC") subsidiaries	1,771	506
Deferred tax assets not recognised	(6,834)	(1,789)
Derecognition of deferred tax assets previously recognised	-	(3,441)
Income tax credit/(expense)	<u>1,771</u>	<u>(2,935)</u>

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)

9. Loss per share

9.1 Basic

Basic loss per ordinary share is calculated based on the net loss attributable to owners of the Company and the weighted average number of ordinary shares in issue as follows:

	Group	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Net loss attributable to owners of the Company	<u>(44,743)</u>	<u>(23,480)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,116,226</u>	<u>2,116,226</u>
Basic loss per ordinary share (RMB)	<u>(0.0211)</u>	<u>(0.0111)</u>

9.2 Diluted

The Group's diluted loss per share is the same as basic loss per share as there are no dilutive potential ordinary shares as at 31 December 2024 and 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. 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	Computers RMB'000	Motor vehicles RMB'000	Furniture and fittings RMB'000	Infrastructure under construction RMB'000	Total RMB'000
Cost									
At 1 July 2022	322,531	212,279	45,116	27,554	3,150	1,754	13,978	-	626,362
Additions	-	-	-	1,848	126	-	457	-	2,431
Disposals	-	-	-	(1,740)	-	(79)	-	-	(1,819)
Write offs	-	-	-	(55)	(250)	(4)	(18)	-	(327)
At 30 June 2023	322,531	212,279	45,116	27,607	3,026	1,671	14,417	-	626,647
Additions	-	-	-	14,381	948	-	243	38,028	53,600
Disposals	-	-	-	(9,900)	-	-	(1,114)	-	(11,014)
At 31 December 2024	322,531	212,279	45,116	32,088	3,974	1,671	13,546	38,028	669,233
Accumulated depreciation									
At 1 July 2022	59,616	40,298	8,566	14,045	1,680	1,580	7,151	-	132,936
Charge for the year	6,565	4,318	916	2,197	254	-	885	-	15,135
Disposals	-	-	-	(1,490)	-	(71)	-	-	(1,561)
Write offs	-	-	-	(49)	(225)	(4)	(16)	-	(294)
At 30 June 2023	66,181	44,616	9,482	14,703	1,709	1,505	8,020	-	146,216
Charge for the period	9,850	6,475	1,374	3,187	320	-	970	-	22,176
Disposals	-	-	-	(8,723)	-	-	(568)	-	(9,291)
At 31 December 2024	76,031	51,091	10,856	9,167	2,029	1,505	8,422	-	159,101

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Property, plant and equipment (continued)

	Factory buildings and warehouse RMB'000	Staff accommodation and amenities RMB'000	Infrastructure RMB'000	Plant and machinery RMB'000	Computers RMB'000	Motor vehicles RMB'000	Furniture and fittings RMB'000	Infrastructure under construction RMB'000	Total RMB'000
Carrying amount									
At 31 December 2024	246,500	161,188	34,260	22,921	1,945	166	5,124	38,028	510,132
At 30 June 2023	256,350	167,663	35,634	12,904	1,317	166	6,397	-	480,431

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 10.1 At the reporting date, property, plant and equipment of the Group that have been charged as collaterals to secure the term loan referred to in Note 22 are as follows:

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
<u>At carrying amount</u>		
Factory buildings and warehouse	-	256,350
Staff accommodation and amenities	-	167,663
Infrastructure	-	35,634
	<u>-</u>	<u>459,647</u>

- 10.2 No depreciation is provided on infrastructure under construction until the assets are ready for their intended use.

- 10.3 Depreciation on property, plant and equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

Factory buildings and warehouse	2.26%
Staff accommodation and amenities	2.26%
Infrastructure	2.26%
Plant and machinery	10%
Computers	10% - 33.33%
Motor vehicles	10%
Furniture and fittings	10% - 20%

- 10.4 Cash payments made to purchase property, plant and equipment are as follows:

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Total additions	53,600	2,431
Additions through other payables	(1,330)	-
Cash payments	<u>52,270</u>	<u>2,431</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Land use rights

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Land use rights, at cost		
At beginning/end of period/year	60,860	60,860
Accumulated amortisation		
At beginning of period/year	19,659	18,442
Charge for the period/year	1,765	1,217
At end of period/year	21,424	19,659
Accumulated impairment losses		
At beginning of period/year	2,000	-
Impairment losses for the period/year	-	2,000
At end of period/year	2,000	2,000
Carrying amount	37,436	39,201

11.1 Nature of leasing activities

The Group has made an upfront payments to acquire the right of use of land situated in PRC for a period of fifty (50) years.

11.2 Impairment review for land use rights

In the previous reporting period, the directors performed an impairment test on one of its land use rights with the cost and carrying amount of RMB5,500,000 and RMB3,621,000. As a result, an impairment loss was recognised to write down the land use rights to its recoverable amount. The recoverable amount of RMB1,621,000 is determined based on the fair value less costs of disposal of the land use rights and the impairment loss of RMB2,000,000 has been recognised in profit or loss under "Administrative expenses" line item.

11.3 The land use rights of the Group with carrying amount of RMB Nil (30.6.2023: RMB36,931,000) have been charged as collaterals to secure the banking credit facilities of term loan referred to in Note 22.

11.4 The land use rights are amortised using the straight-line basis over its lease term of fifty (50) years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. Investment in subsidiaries

	Company	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Unquoted equity shares, at cost	194,712	194,712
Equity loan to a subsidiary	439,248	439,248
Capital contribution via issuance of ESOS	10,040	10,040
	<u>644,000</u>	<u>644,000</u>

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.

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 RMB439,248,000 (30.6.2023: RMB439,248,000) 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.

The details of the subsidiaries are as follows:

	Country of incorporation	Group's effective and voting interest		Principal activities
		31.12.2024 %	30.6.2023 %	
Subsidiaries of the Company				
Hong Kong XinYuanChan International Holding Co Ltd ("XinYuanChan") *	Hong Kong	100	100	Investment holding
Subsidiary of XinYuanChan				
HongPeng (Fujian) Shoes & Garments Co Ltd ("HPFJ") *	People's Republic of China	100	100	Design, manufacturing and marketing of sport shoes as well as design and marketing of sports apparel, accessories and equipment
Subsidiaries of HPFJ				
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co Ltd *	People's Republic of China	100	100	Dormant
XiDeLang Sports Goods Co Ltd *	People's Republic of China	100	100	Registered owner of "XiDeLang" brand

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. Investment in subsidiaries (continued)

The financial statements of subsidiaries indicated by * are not audited by Russell Bedford LC PLT.

In the previous reporting period, XiDeLang Network Technology Sdn Bhd have been struck off from the register of the Companies Commission of Malaysia.

13. Inventories

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
At cost:		
Raw materials	10,116	2,195
Work in progress	-	1,531
Finished goods	4,117	3,920
	14,233	7,646

	Group	
	1.7.2023	1.7.2022
	to	to
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Amount of inventories recognised as an expense	704,394	408,778

14. Trade receivables

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Trade receivables	178,741	131,403
Less: Allowance for expected credit losses	(3,039)	(2,628)
	175,702	128,775

The Group's normal trade credit terms is 90 days (30.6.2023: 90 days). Trade receivables are not secured by any collateral or credit enhancements.

The following table provides information on the trade receivables' credit risk exposure.

31.12.2024	Trade receivables – days past due		
	Not past due	<30 days	Total
	RMB'000	RMB'000	RMB'000
Group			
Gross carrying amount	178,741	-	178,741
Less: Allowance for expected credit losses assessed based on provision matrix	(3,039)	-	(3,039)
	175,702	-	175,702

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. Trade receivables (continued)

30.6.2023 Group	Trade receivables – days past due		
	Not past due RMB'000	<30 days RMB'000	Total RMB'000
Gross carrying amount	131,403	-	131,403
Less: Allowance for expected credit losses assessed based on provision matrix	(2,628)	-	(2,628)
	128,775	-	128,775

The movements in the allowances for expected credit losses of trade receivables during the reporting period are as follows:

	Group	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
At beginning of period/year	2,628	3,423
Additions	411	-
Reversals	-	(795)
At end of period/year	3,039	2,628

15. Other receivable, deposits and prepayments

	Group		Company	
	31.12.2024 RMB'000	30.6.2023 RMB'000	31.12.2024 RMB'000	30.6.2023 RMB'000
Current:				
Advance payments to suppliers	13,200	-	-	-
Other receivable	2	-	-	-
Other receivable in connection with the partnership for new shoe manufacturing plant in Indonesia (Note 15.1)	150,000	-	-	-
Value added tax payables	1,137	-	-	-
	164,339	-	-	-
Non current:				
Amount due from subsidiaries	-	-	329,310	331,708
	164,339	-	329,310	331,708

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. Other receivable, deposits and prepayments (continued)

At the reporting date, amount due from a subsidiary of RMB329,310,000 (30.6.2023: RMB331,708,000) has been presented under non current assets in accordance with FRISIC Consensus 31- Classification of Amount Due from Subsidiaries and Amount Due to Holding Company that is Repayable on Demand issued by The Malaysian Institute of Accountants as these advances are not expected to be realised within 12 months after the reporting date.

15.1 Partnership for a new shoe manufacturing plant in Indonesia

During the reporting period, the Company entered into a partnership arrangement with its customer, Xie He Sheng Mao Yi (Ping Tan) Co Ltd ("Xie He Sheng"), to establish a new shoe manufacturing plant in Indonesia ("Indonesia project"). As part of the preliminary activities, a local Indonesian entity, PT NBF Shoes and Clothing ("PT NBF"), was incorporated on 1 November 2023 where Mr. Ding WeiBin, the Company's Director of Business Development and Foreign Investment, acts as the legal representative of the Company. This appointment was taken to facilitate and ease market survey activities during the initial stages of the project.

As at the date of financial statements, the partnership's details remain limited to the establishment of PT NBF, and each party will appoint a representative to sit on the board of directors to oversee the governance and operations of PT NBF. Mr. Ding WeiBin shall continue to serve as its legal representative, pending the formalisation of governance and investment agreements in accordance with the Indonesian regulations.

The total investment for the Indonesia project, including specific funding allocations, is yet to be finalised, as several key elements of the partnership and operational strategy are still under discussion. PT NBF had obtained approval from the local authorities and is in the midst of setting up the manufacturing plant.

16. Cash and bank balances

	Group		Company	
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks				
- interest bearing	467,315	764,178	-	-
- non interest bearing	21	21	21	21
	<u>467,336</u>	<u>764,199</u>	<u>21</u>	<u>21</u>

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 point with all other variables held constant:

	Group	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Profitability		
- Increase by 0.1% (30.6.2023: 0.1%)	467	764
- Decrease by 0.1% (30.6.2023: 0.1%)	(467)	(764)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Share capital

		Group and Company	
		No. of ordinary shares	
		31.12.2024	30.6.2023
		Units'000	Units'000
Authorised ordinary shares:			
At beginning/end of period/year		<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:			
At beginning/end of period/year		<u>2,116,226</u>	<u>2,116,226</u>

		Group and Company	
		31.12.2024	30.6.2023
		USD'000	USD'000
Authorised ordinary shares:			
At beginning/end of period/year		<u>300,000</u>	<u>300,000</u>
Issued and fully paid:			
At beginning/end of period/year		<u>2,116</u>	<u>2,116</u>

		Group and Company	
		31.12.2024	30.6.2023
		RMB'000	RMB'000
Authorised ordinary shares:			
At beginning/end of period/year		<u>1,828,467</u>	<u>1,828,467</u>
Issued and fully paid:			
At beginning/end of period/year		<u>13,437</u>	<u>13,437</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. In respect of the Company's treasury shares, all rights are suspended until these shares are reissued.

18. Reserves

		Group		Company	
		31.12.2024	30.6.2023	31.12.2024	30.6.2023
		RMB'000	RMB'000	RMB'000	RMB'000
Distributable:					
Retained profits		444,091	488,834	57,951	59,849
Non distributable:					
Share premium		42,863	42,863	42,863	42,863
Treasury shares		(1)	(1)	(1)	(1)
Capital redemption reserve		858,446	858,446	858,446	858,446
Statutory surplus reserve		49,277	49,277	-	-
Merger deficit		(204,906)	(204,906)	-	-
Foreign currency translation reserve		33,401	33,401	-	-
		<u>779,080</u>	<u>779,080</u>	<u>901,308</u>	<u>901,308</u>
		<u>1,223,171</u>	<u>1,267,914</u>	<u>959,259</u>	<u>961,157</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18.1 Share premium

Share premium represents the excess of the consideration received over the nominal value of the shares issued by the Company and the transfer from the share options scheme reserve when the share options were exercised.

18.2 Treasury shares

	Group and Company			
	No. of treasury shares			
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	units	units	RM'000	RM'000
At beginning/end of period/year	250	250	(1)	(1)

18.3 Capital redemption reserve

Capital redemption reserve represents reserve arising from par value reduction. This capital redemption reserve would be used in subsequent bonus issue of shares.

18.4 Statutory surplus reserve

The subsidiaries of the Company is required to transfer 10% of its net profit, as determined in accordance with the People's Republic of China accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this statutory surplus reserve must be made before distribution of a dividend to shareholders. The statutory surplus reserve can be used to make good previous year losses and may be converted into share capital provided that the balance after such utilisation is not less than 25% of its registered capital.

18.5 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 equivalent), and the nominal value of XinYinChan's share capital merged under the pooling of interest method of accounting as follows:

	31.12.2024	30.6.2023
	RMB'000	RMB'000
Cost of merger	204,915	204,915
Less: Share capital of XinYuanChan	(9)	(9)
	204,906	204,906

18.6 Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the Company's investment in foreign operation and monetary items which form part of the Group's net investment in foreign operation.

Exchange differences arising from the translation of a foreign operation previously recognised in other comprehensive income are not reclassified from equity to profit or loss until the disposal of operation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Deferred tax liabilities

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
At beginning of period/year	(15,704)	(12,769)
Recognised in profit or loss (Note 8)		
- current period/year	1,771	(2,935)
At end of period/year	<u>(13,933)</u>	<u>(15,704)</u>

Deferred tax liabilities represent the tax effects of taxable temporary differences associated with the undistributed profits of the PRC subsidiaries.

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.

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, is 10%.

During the reporting period, 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 undistributed profits of the PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%.

19.1 Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following:

	Group			
	Gross		Tax effects	
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
Unutilised tax losses				
expiring on:				
- 31 December 2026	17,397	60,483	4,349	15,121
- 31 December 2027	125,666	88,795	31,417	22,199
- 31 December 2028	15,033	12,470	3,759	3,117
- 31 December 2029	31,782	-	7,945	-
Deferred tax assets not				
recognised	<u>189,878</u>	<u>161,748</u>	<u>47,470</u>	<u>40,437</u>

The deferred tax assets of the Group has not been recognised as it is not probable that taxable profit will be available in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. Trade payables

The normal trade credit terms granted to the Group is 120 days (30.6.2023: 120 days).

21. Other payables and accruals

	Group		Company	
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
Value added tax payables	-	1,887	-	-
Accrued staff salaries	27,655	26,920	-	-
Balance of purchase price for plant and equipment	1,330	-	-	-
Other payables and accruals	1,419	2,067	635	1,135
	<u>30,404</u>	<u>30,874</u>	<u>635</u>	<u>1,135</u>

22. Borrowing

	Group	
	31.12.2024	30.6.2023
	RMB'000	RMB'000
Term loan - current portion	<u>-</u>	<u>12,400</u>

The term loan is secured by way of:

- i) Third party first legal charge over the buildings and infrastructure of the subsidiaries (Note 10);
- ii) Third party first legal charge over the land use rights of the subsidiaries (Note 11); and
- iii) Joint and several personal guarantee by certain directors of the Company.

The effective interest of the term loan is 3.79% (30.6.2023: 3.89%) per annum.

23. Related party disclosures

23.1 Related party balances

Individually significant outstanding balances arising from transactions other than trade transactions are as follows:

		Company	
	Type of transactions	31.12.2024	30.6.2023
		RMB'000	RMB'000
Financial asset			
With a subsidiary:			
- Hong Kong XinYuanChan International Holding Co Ltd	Advances	<u>329,310</u>	<u>331,708</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23.2 Compensation of key management personnel

The remuneration of the key management personnel of the Company is disclosed in Note 5.

24. Segment information

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 is its principal place of business and in which the assets and liabilities of the Group are located.

Due to the similarities in the business operations of the 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.

Accordingly, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8 Operating Segments.

24.1 Customers segment information

Revenue from transactions with major customers that individually accounted for 10 percent or more of the Group's revenue is summarised below:

	Group	
	1.7.2023 to 31.12.2024 RMB'000	1.7.2022 to 30.6.2023 RMB'000
Customer A	569,402	276,887
Customer B	88,497	54,635
Customer C	94,722	47,941
Customer D	-	45,218
	<u>752,621</u>	<u>424,681</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. Financial instruments and financial risks management

25.1 Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Amortised cost:				
- trade receivables	175,702	128,775	-	-
- other receivables	163,202	-	329,310	331,708
- cash and bank balances	467,336	764,199	21	21
	<u>806,240</u>	<u>892,974</u>	<u>329,331</u>	<u>331,729</u>
Financial liabilities				
Amortised cost:				
- trade payables	88,093	79,783	-	-
- other payables and accruals	30,404	28,987	635	1,135
- borrowing	-	12,400	-	-
	<u>118,497</u>	<u>121,170</u>	<u>635</u>	<u>1,135</u>

25.2 Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than as follows:

	Group		Company	
	31.12.2024	30.6.2023	31.12.2024	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balance with a financial institution	467,302	764,134	-	-
Amount due from a debtor	282,636	-	-	-
Amount due from a subsidiary	-	-	329,310	331,708

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25.2 Financial risk management objectives and policies (continued)

Credit risk management (continued)

The Group's credit risk grading framework for expected credit losses ("ECL") model is as follows:

Category	Definition	Basis for recognition of ECL
Performing	The debtor has a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

i) Trade receivables

For trade receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. Where appropriate, the Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. In determining the ECL of other trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

ii) Other receivables

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25.2 Financial risk management objectives and policies (continued)

Credit risk management (continued)

iii) Cash and bank balances

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Interest rate risk management

The Group's primary interest rate risk relates to interest bearing debts. The Group manages its interest rate risks exposure by predominantly using fixed rate borrowings.

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by a combination of equity and bank borrowings.

The following tables detail the remaining contractual maturity for non derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Group		
	Contractual cash flows (including interest payments)		
	Carrying amount RMB'000	Total RMB'000	On demand or within 1 year RMB'000
31.12.2024			
Non interest bearing debts	118,497	118,497	118,497
30.6.2023			
Non interest bearing debts	108,770	108,770	108,770
Interest bearing debts	12,400	12,882	12,882
	121,170	121,652	121,652

26. Capital structure and capital risk management

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the reporting period ended 31 December 2024 and 30 June 2023.

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Capital structure and capital risk management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as total debts less cash and bank balances. Capital comprises total equity of the Company. The Group and the Company have been maintaining net cash position and there were no changes in the Group's approach to capital management during the reporting period.

27. Fair value measurements

27.1 Financial instruments not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, receivables, payables and borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

27.2 Financial instruments and non financial assets carried at fair value

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table provides an analysis of each class of assets measured at fair value at the end of the reporting period:

30.6.2023			
Fair value measurements at the end of the reporting period using			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Total RMB'000			
Non recurring fair value measurements			
Non financial asset:			
Land use rights	-	-	1,621
	<u>-</u>	<u>-</u>	<u>1,621</u>

There were no transfers between these levels of fair values in the current and previous reporting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27.2 Financial instruments and non financial assets carried at fair value (continued)

Valuation techniques used to derive Level 3 fair values

The non-recurring fair value measurement of land use right has been derived based on professional valuation carried out by a professional valuer in September 2023 by using the replacement cost approach of valuation.

The replacement cost approach considers the latest released survey on the leased price per square meter of the county-level city for industrial used and adjusted for the timing, the current condition of the land, current interest rate and tax rate and the expected return for the investment in the land.

28. Comparative figures

The Company changed its financial year end from 30 June to 31 December. Accordingly, the comparative figures relate to the 12 months for the period 1 July 2022 to 30 June 2023 and hence are not comparable to those of the current 18 months period ended 31 December 2024.

NOTE TO SHAREHOLDERS

Notice of Annual General Meeting, Statement Accompanying Notice of Annual General Meeting and Proxy Form will be circulated separately to the shareholders.

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. 200902000038 (995210-W))

(Registered as a foreign company in Malaysia
under the Companies Act, 1965 of Malaysia and deemed registered
under the Companies Act 2016)