

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5156
COMPANY NAME : XIDELANG HOLDINGS LTD
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	: Applied
Explanation on application of the practice	<p>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:</p> <ul style="list-style-type: none">▪ 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. <p>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.</p> <p>A board charter ("the 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").</p>

	<p>In order 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.</p> <p>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 power, corruption or non-compliance within our Group; to promote accountability and to enhance personal ethics in the dealings of our Group.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board is Ms. Ding LiHong.</p> <p>Her primary roles and responsibilities as clearly defined in the Charter to encompass the following:</p> <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.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The Managing Director/CEO of the Group is Mr. Ding PengPeng. The role and responsibilities of the Chairman are distinct and separate from the duties and responsibilities of the Managing Director/CEO. This segregation between the duties of the Chairman and the Managing Director/CEO ensures an appropriate balance of role, responsibility and accountability at Board level.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary and the Assistant Secretary engaged by the Company are licensed company secretary firms within the jurisdiction of Malaysia and Bermuda, respectively; who employ chartered secretaries and experienced professionals in their provision of secretarial services to the Company.</p> <p>The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary supports the Board in managing the Company's governance model, ensuring that it is effective and relevant. The Company Secretary also ensures that deliberations at the Board and its Committees meetings are properly minuted and kept. In particular, the Company Secretary:</p> <ul style="list-style-type: none">▪ Compile all the relevant information and agenda for Board meetings and circulate the same to the members of the Board;▪ Take minutes of the proceedings at the Board and its committees' meetings;▪ Prepare the relevant resolutions for the approval of the Board where applicable;▪ Brief the members of the Board on any updates or amendments on the regulatory requirements (including the Listing Requirements), directives and guidance applicable to the listed company, and circulate a copy of the regulatory requirements, directives and guidance to the Board for reference;▪ Facilitate the conduct of the Company's Annual General Meeting and Special General Meeting (where applicable); and▪ Assist the Company in making filings and submissions with the authorities.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>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).</p> <p>Relevant information and agenda are circulated to the Board members in advance of each Board meeting (the general guide is 5 days before the Board meeting) to ensure the Directors have sufficient time to solicit further explanations and / or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive.</p> <p>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.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company’s website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>A 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.</p> <p>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”).</p> <p>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.</p> <p>The Charter and the terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee can be accessed at the Company’s Corporate Website.</p> <p>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.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	In order 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.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	A whistle-blowing policy has 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 power, corruption or non-compliance within our Group; to promote accountability and to enhance personal ethics in the dealings of our Group. The whistle-blowing policy can be accessed at the Company's Corporate Website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	During the FYE 2018, the Board consists of four (4) Executive Directors and three (3) Independent Non-Executive Directors.
		The Board takes note of the recommended practice 4.1 of the MCCG 2017 that at least half of the board shall comprise independent directors. Notwithstanding the deviation, the Board wishes to advise that there was no incidence of dominance by the Executive Directors over the matters deliberated at the Board meetings. The Board is currently in the midst of evaluating the alternatives to comply with this recommended practice.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is currently evaluating two possible options: (i) To identify new suitable candidate to serve as Independent Director; or (ii) To reduce the number of Executive Directors currently sitting on the Board of Directors.
Timeframe	:	Within 2 years

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>To-date, all three (3) existing Independent Non-Executive Directors of our Company have served for more than nine (9) years.</p> <p>The Board will carry out assessment on the suitability of our current Independent Non-Executive Directors before recommending them for re-election to the Board.</p> <p>Factors that will be taken into consideration include, amongst others, the following:</p> <ul style="list-style-type: none"> ○ The past contributions by the said independent director and the future contribution that can be made by the said independent director by virtue of his knowledge, experience and skills; ○ Whether there is any conflict of interest situation associated with the said independent director; and ○ Whether there is any active involvement by the said independent director in the daily operations of the Group. <p>The Board may, upon satisfaction that the said independent director fulfils the definition of independence as stipulated in the Listing Requirements and can continue to add value and contribute to the Board and our Group, recommend the re-election of the said independent director to the Board subject to the approval of shareholders at the AGM.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board takes note of the step-up practice 4.3 of the MCCG 2017 that a policy limiting the tenure of an independent director to nine (9) years should be established. At this juncture, the Board does not intend to impose such restriction. The Board

	<p>seeks to strike a balance between tenure of service and the benefits to our Group from the continuity of service of an independent director.</p> <p>The Board takes note of the recommended practice 4.2 of the MCCG 2017 that:</p> <ul style="list-style-type: none"> ▪ The tenure of an independent director should not exceed a cumulative term of nine (9) years; ▪ If an independent director is intended to be retained beyond nine (9) years, the Board should justify the decision and seek annual shareholders' approval; and ▪ If an independent director is continued to be retained after the twelfth (12th) year, the Board should seek shareholders' approval through a two-tier voting process as set out in the MCCG 2017. <p>The Board will provide the justification for retaining the Independent Non-Executive Directors when seeking shareholders' approval for their re-appointment.</p>	
Timeframe	:	Others As and when the Independent Non-Executive Directors are seeking re-appointment.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>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, emphasizing primarily on the working experience and knowledge of the candidate; unbiased in respect of race, religion and gender.</p> <p>The selection and appointment of suitable candidates for the Board membership are conducted in systematic manner, which involve the following five (5) nomination procedures:</p> <ul style="list-style-type: none"> ▪ 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. <p>The Nomination Committee, in connection to the nomination process, has full authority to:</p> <ul style="list-style-type: none"> ▪ Determine the desired qualifications and criteria for Board members, including skills, experience, qualities, desired diversity and the like. ▪ Recommend to the Board definitions of “independence” and “conflicts of interest” for Board members, as well as guidance on time commitments and other directorships. ▪ Retain and terminate (within its sole authority) any search firm to assist in identifying director candidates, including the sole authority to approve the fees payable to such search firm and any other terms of retention. ▪ Oversee due diligence on the candidates for nomination or re-nomination as Board members.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board takes note of the recommended practice 4.5 of the MCCG 2017 that the Board must have at least 30% women directors for large companies (i.e. companies on the FTSE Bursa Malaysia Top 100 Index or with market capitalisation of RM2 billion and above).</p> <p>This is not applicable for our Company, notwithstanding that based on our current board composition, we have fulfilled the requirement as we have three (3) out of seven (7) of our Board members being female.</p> <p>At this juncture, the Board is of the opinion that maintaining an unbiased gender policy will be more constructive and beneficial to our Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee, in connection to the nomination process, has full authority to:</p> <ul style="list-style-type: none"> ▪ Determine the desired qualifications and criteria for Board members, including skills, experience, qualities, desired diversity and the like. ▪ Recommend to the Board definitions of “independence” and “conflicts of interest” for Board members, as well as guidance on time commitments and other directorships. ▪ Retain and terminate (within its sole authority) any search firm to assist in identifying director candidates, including the sole authority to approve the fees payable to such search firm and any other terms of retention. ▪ Oversee due diligence on the candidates for nomination or re-nomination as Board members.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	Our Nomination Committee comprises exclusively Independent Non-Executive Directors, the Chairman of which is the Senior Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>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:</p> <ul style="list-style-type: none">▪ <u>In respect of Executive Directors</u><ul style="list-style-type: none">(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 / certain individuals; and(h) Shareholders' communication and investor relations' policies and programs.▪ <u>In respect of Non-Executive Directors</u><ul style="list-style-type: none">(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

	<p>counsel on major business issues raised;</p> <p>(d) Commitment towards good corporate governance and effective risk management and internal control systems; and</p> <p>(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.</p> <p>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.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	: Applied
Explanation on application of the practice	<p>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.</p> <p>The total remuneration package is structured to be competitive and in line with current market practice for Board members of comparable companies, taking into account both size and business complexity.</p> <p>The key elements of our Group's remuneration policy are set out below:</p> <p><u>For Executive Directors and Key Management Personnel</u></p> <ul style="list-style-type: none">(i) The remuneration package shall take into consideration the individual performance, service seniority, experience and responsibilities of the individual Executive Directors/Key Management Personnel, 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. <p>The remuneration package for the Executive Directors shall be subject to review by the Remuneration Committee annually.</p> <p><u>For Non-Executive Directors</u></p> <ul style="list-style-type: none">(i) The fees payable shall commensurate with market trends,

	<p>length of service and seniority, duties and responsibilities entrusted upon them as well as level of contribution.</p> <p>(ii) The fees payable shall be a fixed sum, with additional allowance for attendance of meeting.</p> <p>(iii) The fees payable to the Non-Executive Directors shall be subject to shareholders' approval at the Annual General Meeting.</p> <p>The determination of the remuneration package of Non-Executive Directors is a matter for the Board as a whole. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.</p> <p>The guiding principles adopted by the Company in determining the remuneration package of Directors are disclosed within the terms of reference of the Remuneration Committee, which can be accessed at the Company's Corporate Website.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company’s desire to attract and retain the right talent in the board and senior management to drive the company’s long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company’s website.

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration Committee is governed by its terms of reference approved by the Board, which has been published under the Company’s Corporate Website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	Detailed disclosure on named basis for the remuneration of individual directors have been made in the Company's Annual Report for the FYE 2018, under the " <i>Corporate Governance Overview Statement</i> ".	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Not applicable - Step Up 7.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Adopted
Explanation on adoption of the practice	:	The detailed remuneration of the key management personnel have been disclosed in the Company's Annual Report, under the " <i>Corporate Governance Overview Statement</i> ".

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board is Ms. Ding LiHong, whilst the Chairman of the Audit Committee is Mr. Wong Yoke Nyen.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Board has resolved to adopt this policy.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company is currently working on the written policies and procedures to assess the suitability, objectivity and independence of the external auditor.
	:	Although there is currently no written policies and procedures, the Audit Committee had assessed the suitability, objectivity and independence of the external auditor before recommending to the Board for the re-appointment of the external auditors. The Audit Committee had obtained confirmation from the external auditors, ascertained that none of the key members of the audit engagement team is connected to the director/major shareholders of the Group, as well as reviewed the audit fees and non-audit fees paid or payable by the Group to the external auditors and satisfied that there is no sign of undue financial dependency.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company is currently establishing appropriate written policies and procedures for assessment of the suitability, objectivity and independence of the external auditor.
Timeframe	:	Within 1 year

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee is established by the Board and consists of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is appointed by the Board and is not the Chairman of the Board.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>All existing Directors have attended the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia Securities Berhad ("Bursa Securities").</p> <p>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.</p> <p>Directors recognise the importance of continuing professional development and the need for continuous update and training. During the FYE 2018, the individual Directors kept abreast with the changes and developments in the marketplace and the corporate regulatory framework through the following channels:</p> <ul style="list-style-type: none">▪ 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, during the interactions during the Board meetings;▪ Personal readings; and▪ Structured training programme. <p>Moving forward, the Board will get assistance from the Company Secretary to identify and recommend suitable training programme for the Directors' participation.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a formal 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:</p> <ul style="list-style-type: none"> (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.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.2

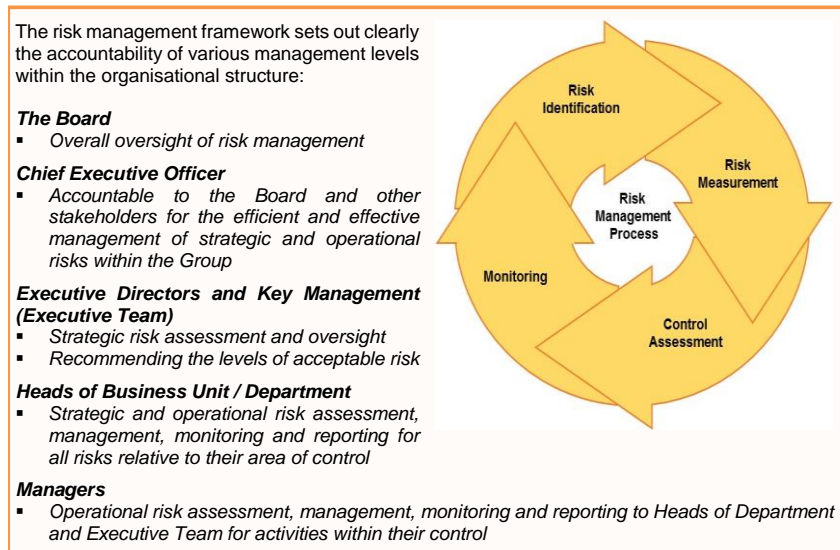
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	: Applied
Explanation on application of the practice	<p>The key features of the Group’s risk management and internal control framework have been disclosed in the Company’s Annual Report 2018, under the “<i>Statement on Risk Management and Internal Control</i>”.</p> <p>During the FYE 2018, the Board has established three lines of defence to safeguard the effective functioning of the Group’s risk management and internal control systems as depicted below:</p> <div data-bbox="555 1025 1356 1433" data-label="Diagram"> </div> <ul style="list-style-type: none"> ❖ <u>1st Line of Defence</u> The Board was 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. ❖ <u>2nd Line of Defence</u> The Board was assisted by the Management and Risk Management Committee 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.

❖ 3rd Line of Defence

The Board was 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 systems. The outsourced internal auditors carried out 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 were tabled to the Audit Committee for review and deliberation. Matters discussed at the Audit Committee's meetings were minuted and reported to the Board for notation.

The Board has adopted a formal risk management framework to systematically identify, evaluate and mitigate current and emerging risks that may impede the achievement of the Group's strategic objectives and business strategies, as depicted below:



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

The Board, after due consideration, is of the opinion that the system of internal controls in place is satisfactory and the key risks are maintained at an acceptable level in the context of the

	<p>Group's business environment.</p> <p>The Chief Executive Officer, Deputy Chief Executive Officer and Executive Director who is in charge of financial management have given assurance to the Board that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects. There were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group during the FYE 2018.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional internal audit firm, Total Advisors Sdn. Bhd., to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.</p> <p>The internal audit function is responsible to assist the Audit Committee in evaluating and reviewing the adequacy and effectiveness of the Group's system of internal control. To ensure independence, the outsourced internal auditors reports directly to the Audit Committee.</p> <p>During the FYE 2018, the internal audit of the Group was carried out in accordance with a risk-based 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.</p> <p>The internal auditors' findings are circulated to the Audit Committee at their meetings. Summary of the internal audit activities during the FYE 2018 is disclosed under the Audit Committee Report of the Company's Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>Total Advisors Sdn. Bhd. (“the Internal Auditors”), an independent external professional firm, has been engaged by the Board to carry out the internal audit function during the FYE 2018.</p> <p>The Internal Auditors report directly to the Audit Committee. The primary role of the internal audit function is to review the effectiveness of the Group’s systems on internal control and this is performed with impartiality, proficiency and due professional care. Total internal audit fees incurred in respect of FYE 2018 amounted to RM60,000.</p> <p>Internal audit function adopts a risk-based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of controls. Internal audit function assists the Audit Committee in discharging its duties and responsibilities with respect to the adequacy and integrity of the systems of internal control within the Group. To ensure independence, the outsourced internal auditors reports directly to the Audit Committee.</p> <p>Details on the internal audit function and summary of activities carried out during the FYE 2018 have been disclosed in the Company’s Annual Report 2018 under “<i>Statement on Risk Management and Internal Control</i>” and “<i>Audit Committee Report</i>”.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>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.</p> <p>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, quarterly 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.</p> <p>The Company has also established a corporate website under www.xidelang.com.my for shareholders and the public to access for corporate information.</p> <p>While the Company strives to provide as much information as possible to its shareholders, stakeholders and general public, the Company upholds strict standards of confidentiality with regard to undisclosed material information under all circumstances and remains mindful of the legal and regulatory framework (particularly the Listing Requirements) governing the dissemination of information to shareholders and the general public.</p> <p>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.</p> <p>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</p>

	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.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has disseminated relevant information and updates on our Group's development from time to time through various medium including the annual report, quarterly 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.</p> <p>The Company has also incorporated disclosures on the Group's operations, the Group's financial performance and position as well as its policies on governance, the environment and social responsibility in the Company's Annual Report 2018 under "Management Discussion and Analysis", "Corporate Governance Overview Statement", "Statement on Risk Management and Internal Control", "Audit Committee Report" and "Sustainability Statement".</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	<p>The last Annual General Meeting (“AGM”) held by the Company was on 20 June 2018, of which relevant notice was given to the shareholders on 22 May 2018, 28 days prior to the AGM.</p> <p>The Company will continue to adhere to this recommended practice for the upcoming AGM to be held in calendar year 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>The last AGM held on 20 June 2018 was attended by all Directors.</p> <p>It is the Company's practice to have all the Directors attending the AGM, save for any unforeseen circumstances where individual Director may absent for a given reason.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders’ participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not have a large number of shareholders. Based on the historical trend, the total number of shareholders was less than 5,000.	
		The General Meetings of the Company are held in hotel that is easily accessible. Shareholders are invited and encouraged to attend the Company’s General Meetings and to actively participate in the proceedings by posting 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.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Others	Not Applicable

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA
MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Not Applicable
