



XiDeLang Holdings Ltd

(Bermuda Company No. 43136)

(Incorporated as an exempted company in Bermuda
under the Companies Act 1981 of Bermuda)

(Malaysian Foreign Company Registration No. 995210-W)

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ding LiHong

Executive Chairman
Non-Independent Director

Ding PengPeng

Managing Director / Chief Executive Officer ("CEO")
Non-Independent Director

Ding PengWan

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

Lin YingYu

Executive Director
Non-Independent Director

Zhu GuoHe

Senior Independent Non-Executive Director

Wong Yoke Nyen

Independent Non-Executive Director

Woon Yeow Thong

Independent Non-Executive Director

PRINCIPAL PLACE OF BUSINESS

Head Office & Production Centre

XiDeLang Industrial Park
Neikeng Town
Jinjiang City, Fujian Province
People's Republic of China ("PRC")
Tel: +86 (595) 8677 6888
Fax: +86 (595) 8677 7222
Email: xdl@xidelang.com.cn
Website: www.xidelang.com.my

COMPANY SECRETARIES

Secretarius Services Sdn. Bhd.
Conyers Corporate Services
(Bermuda) Limited
(Assistant Secretary)

AUDITORS

BDO (AF 0206), Malaysia
Chartered Accountants
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Hamilton HM11
Bermuda
Tel: +1 (441) 295 1422
Fax: +1 (441) 292 4720

REGISTERED OFFICE IN MALAYSIA

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BERMUDA SHARE REGISTRAR

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Hamilton HM11
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MALAYSIAN SHARE REGISTRAR

Tricor Investor & Issuing House
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Office

Unit 32-01, Level 32, Tower A
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Customer Service Center

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

AGENT IN MALAYSIA

PFA Corporate Consultants Sdn. Bhd.
Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
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59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel: +603 - 2783 9191
Fax: +603 - 2783 9111

PRINCIPAL BANKERS

PRC

- 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

STOCK EXCHANGE LISTING

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

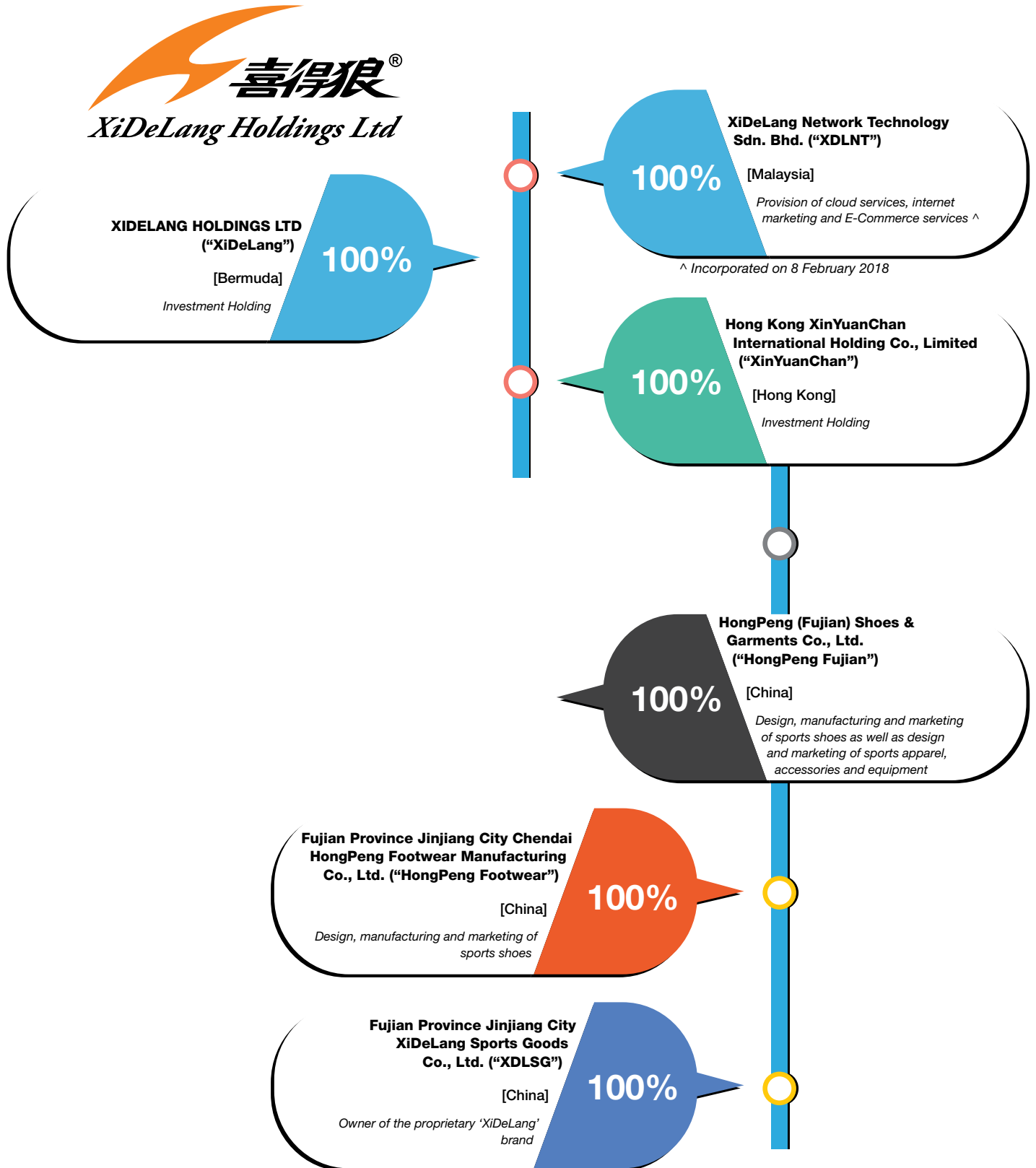
FINANCIAL HIGHLIGHTS

KEY FINANCIAL RESULTS	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Revenue	646,200	530,035	544,812	503,834	542,422
Gross profit	171,701	130,751	103,193	83,928	92,900
Profit before tax	137,840	67,208	12,370	11,270	24,851
Net profit for the financial year	103,575	49,579	6,798	6,934	16,587
OTHER KEY FINANCIAL DATA	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Total assets	1,148,289	1,300,117	1,402,713	1,414,575	1,403,925
Total liabilities	166,062	115,258	159,051	163,979	136,742
Net current assets	362,227	571,275	643,469	665,807	690,743
Net assets / Shareholders' equity	982,227	1,184,859	1,243,662	1,250,596	1,267,183
Borrowings	10,000	10,000	10,000	10,000	5,000
KEY FINANCIAL INDICATORS	2013 %	2014 %	2015 %	2016 %	2017 %
Gross profit margin	26.57	24.67	18.94	16.66	17.13
Net profit margin	16.03	9.35	1.25	1.38	3.06
Borrowings-to-Equity	1.02	0.84	0.80	0.80	0.39
	('000 units)	('000 units)	('000 units)	('000 units)	('000 units)
Weighted average ordinary shares in issue ("WAOS") ⁽¹⁾	907,498	1,132,259	1,255,436	1,347,736	1,347,742
Adjusted number of ordinary shares outstanding as at the financial year-end ("Outstanding OS") ⁽²⁾	816,748	1,149,497	1,347,740	1,347,741	1,347,742
	RMB cent	RMB cent	RMB cent	RMB cent	RMB cent
Basic earnings per share (Based on WAOS)	11.41	4.38	0.54	0.51	1.23
Net assets per share (Based on Outstanding OS)	120.26	103.08	92.28	92.79	94.02

(1) Weighted average ordinary shares in issue were derived after adjusting for effects of bonus issues and share consolidation, including bonus issue completed subsequent to financial year-end on 11 January 2018.

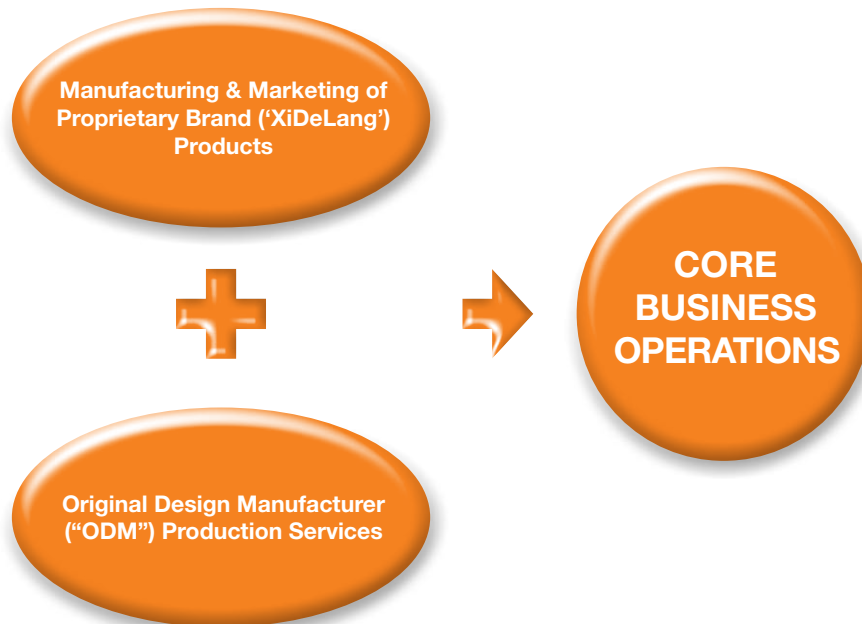
(2) Based on ordinary shares outstanding as at the financial year-end, after adjusting for effects of bonus issues and share consolidation, including bonus issue completed subsequent to financial year-end on 11 January 2018.

CORPORATE STRUCTURE



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; whilst HongPeng Footwear concentrates on manufacturing of sports shoes for external customers where the products are primarily for distribution in overseas markets.

Our Group's objectives, focus and business strategies for the two core business operations are discussed below.

Proprietary Brand ('XiDeLang') Operation

o Objective:

To become one of the preferred domestic brands for trendy casual sportswear in China.

o Targeted Customer:

End-consumers, mass market in China.

o Distribution Channel:

Primarily through the authorised distributors who are responsible to coordinate and manage the retail outlets across various cities in China. Our Group enjoyed market presence in 23 cities within China during year 2017, consistent with prior year.

In view of the rapid growth of e-commerce trend in recent years, our Group has also embarked on online-to-offline marketing strategy after communication and coordination with the authorised distributors. Products are listed on third party China-based online marketplaces to generate additional market awareness, with the ultimate aim to attract consumers to the physical retail outlets which are positioned as the "experience store".

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS OVERVIEW (CONT'D)

Proprietary Brand ('XiDeLang') Operation (Cont'd)

o Focus and business strategies:

(a) Brand management

The brand positioning for 'XiDeLang' is casual sportswear targeting the mass market of China and accommodating the demands from younger generation in the urban areas. We are committed to provide the consumers with 'value-for-money' sportswear, combining functionality with fashion.

Our Group has remained cost-conscious in formulating the marketing strategies amid the challenging conditions encountered by China's sportswear industry in recent years, balancing the needs to maintain adequate level of brand awareness and cost control.

Our Group has adopted a multi-medium marketing approach to reach out to end-consumers and strengthen the brand equity, which encompasses:

- Television and radio advertising for wide coverage;
- Brochures and other promotional campaigns coordinated by the authorised distributors, for local coverage; and
- Product listings on third party China-based online marketplaces.

(b) Distribution network management

Our Group collaborates with the authorised distributors to create a wide retail network coverage across the dispersed provinces and cities in China. This model enables us to leverage on the knowledge and familiarity of the authorised distributors on the local markets for the effective monitoring and management of the retail outlets, without having to increase headcounts and incur additional administrative costs.

Over the years, our Group has established a relatively mature distribution and retail network with presence over 23 provinces and cities within China. Our Group now places the emphasis on improving the retail efficiency of the existing outlets and have been coordinating with the authorised distributors and retailers for several reform initiatives:

- Modernising the layout of the retail outlets, to enhance the brand appeal to the younger generation and to improve the in-store experience of the consumers in line with our online-to-offline marketing strategy.
- Promoting brand unity, where standardised layout and promotional materials are adopted for the retail outlets.
- Optimising the retail outlets coverage, where smaller size and less profitable stores were either closed or merged to form a flagship store, so that resources can be concentrated on areas with sustainable profitability and growth potential.
- Optimising the in-store inventory level, where authorised distributors and retailers are encouraged to be more flexible in making replenishment orders in accordance to the market conditions and demands. Our Group's marketing team maintains close communication with the authorised distributors and retailers, with periodic visit to the retail outlets as part of the proactive control to prevent overstocking issues.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS OVERVIEW (CONT'D)

Proprietary Brand ('XiDeLang') Operation (Cont'd)

o Focus and business strategies (cont'd):

(c) Product innovation

Over the years, consumers in China have become more discerning and grown more sophisticated in terms of demands and expectations, making their preference less predictable. Product innovation in terms of design appearance, functionality and specifications has become one of the essential components for sportswear companies to stay competitive and to sustain the consumers' brand loyalty.

Continuous product innovation has always been one of the key emphasis of our Group. To accommodate the fast-changing fashion trend and consumers' preferences, we plan our product launching carefully to ensure that new models are introduced into the market periodically to sustain the consumers' interests in our brand. New models are usually introduced into the market in conjunction with the seasonal transition.

To ensure that our products will appeal to the consumers, we gather inputs via various channels and from various parties:

- (i) Our sales and marketing personnel engage the authorised distributors regularly to gather the end-consumers' feedbacks and insights to the consumers' preferences;
- (ii) Our purchasing team communicates with our raw material suppliers regularly to gather updates on new materials for footwear production; and
- (iii) Our in-house research and product development team will keep abreast with the changes in market trend and new technologies available in the market.

Our in-house research and product development team will consolidate the insights and updates from the marketing team and purchasing team with their own findings in developing new models and in improving the existing well-received models.

(d) Supply-chain management and quality control

Our Group has continued to build on the production capability and capacity throughout the years. Relocation to our Group's present headquarter 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.

'XiDeLang' sports shoes are designed in-house by our research and product development team and manufactured internally. 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 the 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 close proximity allows us better communication with our suppliers, where any issues concerning the supplies can be resolved expediently.

Quality control has always been the key priority of our Group, as we are committed to providing the end-consumers with products that are reliable and safe to use. Incoming supplies are inspected prior to acceptance to ensure that they meet the desired specifications. In-house production is carefully monitored with checks and controls incorporated into the various stages of production for prompt detection of any defects. Finished products have to undergo various testing and inspection for quality assurance prior to delivery.

MANAGEMENT DISCUSSION AND ANALYSIS
 (CONT'D)

BUSINESS OVERVIEW (CONT'D)
ODM Production Service

o Objective:

To become the reliable, trusted production partner for international brand names.

o Targeted Customer:

International brand names, where products are primarily for distribution in overseas markets.

o Distribution Channel:

Foreign trading / export companies and intermediaries based in China

o Focus and business strategies:

(a) Production and design capability and capacity

The relocation to our Group's present headquarter 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.

(b) 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 have to undergo various testing and inspection for quality assurance prior to delivery.

REVIEW OF OPERATING ACTIVITIES

	Financial Year Ended 31 December		Variance (%) 2017 vs 2016
	2016 (RMB'000)	2017 (RMB'000)	
Overall revenue	503,834	542,422	↑ 7.66
Analysis by business segment			
Own-branding			
• sports shoes	331,011	346,912	↑ 4.80
• sports apparel, accessories & equipment	19,485	–	↓ 100.00
ODM operations - sports shoes	153,338	195,510	↑ 27.50

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

	Financial Year Ended 31 December		Variance (%) 2017 vs 2016
	2016 ('000 Units Sold)	2017 ('000 Units Sold)	
Analysis by business segment			
Own-branding			
• sports shoes	(pairs) 4,129	4,330	↑ 4.87
• sports apparel, accessories & equipment	(pieces) 227	–	↓ 100.00
ODM operations - sports shoes	(pairs) 2,414	3,040	↑ 25.93

Proprietary Brand ('XiDeLang') Operation

Backed by higher volume sold, revenue from own-branding sports shoes improved from RMB331.01 million in the preceding year to RMB346.91 million during the financial year under review, representing a growth of 4.80%.

According to the statistics published by the National Bureau of Statistics of China ("NBS"), total retail sales of clothing and footwear in China recorded a year-on-year growth of 7.8% for year 2017.

The growing consumption for sportswear in China is supported by the following:

- o Active measures and policies implemented by the Government of China to boost private consumption and accelerate the development of local sports industry;
- o Improving health awareness and increasing participation in sports and exercise by China citizens; and
- o Rising population with increasing purchasing power of the urban residents as a result of income growth. Per capita annual disposable income of China's urban residents grew to RMB36,396 in 2017, representing a year-on-year growth of 6.5% (after adjusting for price factors) according to statistics by NBS.

Due to the sudden glut and intensifying competition within the apparels market in China which has resulted in margin pressure, our Group has decided to halt the supply of own-branding sports apparel, accessories and equipment temporarily since last year. Accordingly, no revenue was recorded from sales of sports apparel, accessories and equipment during the financial year under review.

At this juncture, our Group will focus on stepping up the efforts to solidify the manufacturing and sales of own-branding casual sports shoes to capture the encouraging market demands. Our Group will continue to monitor closely the conditions and developments of the apparels market in China, and where necessary, will make prompt adjustment to our business strategies in relation to the supply of own-branding sports apparel, accessories and equipment.

Going forward, our Group plans to deepen the online-to-offline marketing efforts, leveraging on the third party e-commerce platforms to enhance market awareness on our brand and products. The existing retail outlets managed by the authorised distributors and retailers will be transformed into "experience stores", where consumers will get access to an extensive range of our products and have personalised experience and physical touch of our products, which are crucial in boosting their confidence in our products and desire to purchase.

In addition to that, our Group will, from time to time, identify any potential merger and acquisition opportunities, joint-venture opportunities and/or collaboration opportunities that may further strengthen the market competitiveness of our Group and improve our Group's operational efficiency and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

ODM Production Service

Our Group recorded an encouraging revenue growth for our ODM Production Service segment during the financial year under review, where sales improved from RMB153.34 million in the preceding year to RMB195.51 million for the financial year under review, representing a growth of 27.50%. This was primarily attributable to the increase in quantities sold, in line with the gradual recovery of market demands for sportswear in the overseas market, particularly sports-inspired footwear.

Backed by our Group's enhanced production and design capability as well as increased production capacity, our Group has the flexibility to step up our efforts in securing additional orders for ODM production of sports shoes.

In view of the gradual recovery of market demands for sportswear in overseas market, our Group intends to further expand our ODM operations. Our Group will, from time to time:

- o Identify any collaboration or joint-venture opportunities with foreign trading / export companies with the aim to enlarge the customer base for ODM production and to be able to have direct business dealings with the international brand names; and
- o Identify any strategic alliance, merger or acquisition opportunities with China-based ODM producers with the aim to diversify and complement our Group's existing ODM sports shoes production, as well as for cross-selling.

TRENDS & RISK FACTORS

Known Trend

The key factor/trend affecting our Group's performance for the recent years, as well as the financial year under review, is intensifying market competition for the footwear and apparels market. Despite the gradual recovery of demand for sports-inspired footwear and apparels both in the context of China market and overseas market, consumers are generally more selective in spending and their expectations are growing more sophisticated where industry players will have to be more proactive in order to stay competitive.

Our Group had taken the following initiatives to mitigate the impact arising from the intensifying market competition:

- (i) Adopted multi-channel marketing strategy, leveraging on third-party e-commerce platforms to promote brand awareness in addition to conventional television and radio advertisement;
- (ii) Optimised the existing distribution and retail network for own-branding products to improve efficiency at the retail stores, to promote brand unity and to provide better consumer experience. In particular, in line with our online-to-offline marketing strategy, the physical stores are transformed to serve as the "experience stores" providing consumers access to an extensive collection of our products and personalised, physical experience of our products to boost their desire to buy;
- (iii) 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;
- (iv) Stepped up the efforts in securing additional ODM production orders, to diversify the revenue base of our Group; and
- (v) Halted in the supply of own-branding sports apparel, accessories and equipment temporarily in response to the sudden glut in the apparels market of China, to steer clear of price competition given that the margin from apparels sales were eroding and to mitigate risk of overstocking.

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.

FINANCIAL ANALYSIS

(1) Revenue

Backed by the gradual recovery of demands for sportswear, our Group recorded encouraging growth in revenue during the financial year under review, where total revenue improved by approximately 7.66% from RMB503.83 million in the preceding year to RMB542.42 million for the financial year under review.

In line with the growing market demands, our Group recorded increase in quantities sold for both the own-branding sports shoes and ODM production orders, the primary factor contributing to the revenue growth during the financial year under review.

(2) Other Income

Other income comprised mainly interest income earned by our Group. Other income for the financial year under review stood at approximately RMB2.29 million, increased by approximately RMB0.23 million or 11.06%, primarily due to higher interest income earned in line with the enhanced cash and bank balances held by our Group.

(3) Administrative and Other Expenses

During the financial year under review, administrative and other expenses incurred by our Group stood at RMB69.65 million, marginally lower by 5.90% as compared to prior year.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FINANCIAL ANALYSIS (CONT'D)

(3) Administrative and Other Expenses (Cont'd)

The key components of administrative and other expenses for the financial year under review comprised the following:

- Employee benefits (including the directors' remuneration) amounted to RMB18.98 million (2016: RMB18.92 million), largely consistent with prior year; and
- Brand promotion and advertisement costs amounted to RMB35.24 million (2016: RMB41.05 million), lower by approximately RMB5.81 million or 14.15% as compared to the preceding year, in line with our multi-channel marketing strategy where the conventional television and radio advertising was balanced and complemented by digital marketing through listing of our products on third-party e-commerce platforms. The ratio of brand promotion and advertisement costs to the Group's total revenue stood at 6.50% (2016: 8.15%), relatively consistent with the trend of other leading industry players.

(4) Effective tax rate

The Group's effective tax rate stood at approximately 33.25% for the financial year under review, lower as compared to 38.47% in the preceding year. The effective tax rate was higher than the statutory tax rates applicable to our Group primarily due to the following factors:

- Certain expenses were not allowed for deduction for the purpose of tax computation;
- Deferred tax assets have not been recognised for temporary differences arising from the unused tax losses of a subsidiary; and
- Withholding tax on undistributed profits of the Group's subsidiaries in China were accounted for as deferred tax liabilities.

(5) Profitability

Despite the market challenges, our Group continued to be profitable during the financial year under review, upholding the uninterrupted profit track record since the Company's listing on the Main Market of Bursa Securities.

	Financial Year Ended 31 December		Variance (%) 2017 vs 2016
	2016 (RMB'000)	2017 (RMB'000)	
• Gross profit ("GP")	83,928	92,900	↑ 10.69
• Profit before tax ("PBT")	11,270	24,851	↑ 120.51
• Net profit ("NP")	6,934	16,587	↑ 139.21
Financial ratios			
• GP Margin	16.66%	17.13%	
• PBT Margin	2.24%	4.58%	
• NP Margin	1.38%	3.06%	

Backed by the revenue growth during the financial year under review, our Group's GP improved from RMB83.93 million in prior year to RMB92.90 million for the financial year under review, representing a growth of 10.69%.

Our Group's PBT and NP were more than doubled during the financial year under review, as compared to the preceding year, primarily attributable to the revenue and GP growth, as well as decrease in brand promotion and advertisement costs as explained above.

MANAGEMENT DISCUSSION AND ANALYSIS
 (CONT'D)

FINANCIAL ANALYSIS (CONT'D)
(6) Financial Position

	[----- As at 31 December -----]		Variance (%) 2017 vs 2016
	2016 (RMB'000)	2017 (RMB'000)	
• Total assets	1,414,575	1,403,925	↓ 0.75
• Total liabilities	163,979	136,742	↓ 16.61
• Net assets / Shareholders' equity	1,250,596	1,267,183	↑ 1.33
• Net current assets	665,807	690,743	↑ 3.75
Financial ratios			
• Quick ratio ⁽¹⁾	555.80%	690.03%	
• Debt-to-equity ratio ⁽²⁾	13.11%	10.79%	

Remark
⁽¹⁾ Formula: $(\text{Cash and cash equivalents} + \text{Receivables}) / \text{Current liabilities}$
⁽²⁾ Formula: $\text{Total liabilities} / \text{Shareholders' equity}$

Backed by the improved performance, our Group's financial position as of 31 December 2017 remained relatively strong and healthy, with no significant unusual fluctuation as compared to prior year.

(7) Liquidity

Working Capital Turnover Days	[----- As at 31 December -----]	
	2016 (Days)	2017 (Days)
• Inventories ⁽¹⁾	6	5
• Trade receivables ⁽²⁾	172	121
• Trade payables ⁽³⁾	(88)	(67)
Net working capital turnover days	90	59

Remark
⁽¹⁾ Formula: $\text{Inventories} / \text{Cost of sales} \times 365 \text{ days}$
⁽²⁾ Formula: $\text{Trade receivables} / \text{Total revenue} \times 365 \text{ days}$
⁽³⁾ Formula: $\text{payables} / \text{Cost of sales} \times 365 \text{ days}$

The net working capital turnover days have been shortened from 90 days in 2016 to 59 days for the financial year under review, indicating an improvement in working capital management. This was primarily attributable to regular monitoring and follow-up on collections from receivables, where no past due trade receivables' balances were recorded as at 31 December 2017.

In line with our improved collection, we continued to make prompt payments to our suppliers resulting in a slight decrease in trade payables' turnover period from 88 days in prior year to 67 days for the financial year under review.

MANAGEMENT DISCUSSION AND ANALYSIS
 (CONT'D)

FINANCIAL ANALYSIS (CONT'D)
(7) Liquidity (Cont'd)

Cash Flows Movements	Financial Year Ended 31 December	
	2016 (RMB'000)	2017 (RMB'000)
Net cash from operating activities	52,346	68,499
Net cash from/(used in) investing activities	1,639	(6,167)
Net cash used in financing activities	(438)	(5,301)
Net movement in cash and cash equivalents	53,547	57,031

During the financial year under review, our Group recorded net cash inflows of approximately RMB57.03 million, higher as compared to the preceding year. This was primarily attributable to the improved performance of our Group, coupled with enhanced working capital and cash flows management.

(8) Capital Requirements, Structure & Resources

Our Group's capital commitment as of 31 December 2017 was as stated below:

	(RMB'000)
Capital expenditure in respect of purchase of property, plant and equipment	31,789

Our Group had raised net proceeds (after deducting the relevant expenses) of RM83.70 million, which translated into RMB151.25 million, from the renounceable rights issue exercise completed on 27 January 2014. The net proceeds raised was earmarked to fund the stage-2 construction of our Group's design and production centre ("Stage-2 Construction"). For further details, kindly refer to the abridged prospectus dated 23 December 2013.

Apart from that, our Group had obtained a 6-year term loan facility amounting to RMB130 million on 28 September 2013 from the Industrial and Commercial Bank of China ("ICBC") to part finance the Stage-2 Construction. Subsequently on 10 September 2014, our Group had obtained additional credit facilities of up to RMB96.27 million.

As of 31 December 2017, the Stage-2 Construction was still awaiting the necessary approvals and accordingly, the actual capital expenditure requirements cannot be ascertained at this juncture. Our Group will assess the capital expenditure required and reflect the relevant disclosures in the financial reports when Stage-2 Construction is ready to commence.

The abovementioned net proceeds raised, the term loan facility and the credit facilities remained unutilised as of 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FINANCIAL ANALYSIS (CONT'D)
(8) Capital Requirements, Structure & Resources (Cont'd)
Capital structure & resources

	(RMB'000)
Cash and cash equivalents as at 31 December 2017	619,239
Less:	
- Net proceeds from renounceable rights issues exercise completed on 27 January 2014	(151,246)
- Borrowings as at 31 December 2017	(5,000)
- Capital commitment as at 31 December 2017	(31,789)
Cash and cash equivalents available for working capital and operational funding requirements as at 31 December 2017	431,204

As of 31 December 2017, 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.

PROSPECTS
Proprietary Brand ('XiDeLang') Operation

Looking ahead, demands for sportswear within the China market are generally expected to be on gradual growth momentum, backed by the following favourable factors:

- (i) Supportive government policies and initiatives which, amongst others, including Several Opinions on Accelerating the Development of Sports Industry to Promote Sports Consumption announced by the State Council of the People's Republic of China, the 13th Five-Year Plan announced by the General Administration of Sports of China and the National Fitness Campaign.

These policies and initiatives are expected to contribute positively to the sports industry growth in the medium and long term and propel the nation to achieve the following development targets set for 2016 - 2020:

- o Enlarge the market size and employment size of China's sports industry to exceed RMB3 trillion and 6 million people;
 - o Increase the industrial value-added contribution of the China's sports industry to 1.0% of the nation's GDP;
 - o Increase the service-based value-added contribution to more than 30% of the overall industrial value-added contribution of the China's sports industry;
 - o Expand the sports facilities and bases, per capita sports area to exceed 1.8m²; and
 - o Increase the consumption value of sports to more than 2.5% of the disposable income per capita.
- (ii) Huge and rising population in China particularly with the implementation of two-child policy, complemented by an rising disposable per capita income; and
 - (iii) Increasing popularity of sports and rising participation levels, in line with the growing awareness on healthy lifestyle. More consumers have started to undertake regular exercise, including retirees, working adults and students, giving rise to more frequent purchases of sportswear.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

PROSPECTS (CONT'D)

Although the outlook of the sports industry within China is expected to remain challenging in view of the intensifying market competition and the uncertainties in the global economy particularly those associated with Brexit and changes in United States of America's fiscal policies and diplomatic stance under Trump's administration. Notwithstanding that, the outlook for the sportswear industry within China for the medium and long term is expected to remain promising. This is echoed by the recent research report entitled "Consumer Market Development Report 2018" published by China Council for the Promotion of International Trade ("CCPIT") Academy, where the total retail sales of consumer products in China is forecasted to exceed RMB40 trillion in 2018 representing an annual nominal growth rate of approximately 10%.

Our Group believes that the prospects remain promising for our own-branding operations, but remains cautious on the increasing short term volatility for the near future.

ODM Production Service

Demands for sportswear in the global markets are generally expected to be trending upwards in the medium and long term backed by the increasing participation in sports activity for health and fitness and increasing purchasing power.

Our Group believes that the increasing demands for sportswear in the global markets will have a positive impact on the demand for ODM production, which fares well for our ODM production operations.

Overall

Barring any unforeseen circumstances, our Group is cautiously optimistic that the performance for the financial year ending 31 December 2018 will remain positive.

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.

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 a number of 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.

PROFILE OF THE BOARD OF DIRECTORS



DING LIHONG

*(Female, aged 45 - Citizen of the People's Republic of China)
Executive Chairman*

Ms. Ding LiHong was appointed as the Executive Chairman on 5 May 2009.

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 has been 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.

She attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)**DING PENG PENG**

*(Male, aged 43 - 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 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.

He is also 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 and the Special Supervisory Agent (2014 - 2016) for the Chendai Police Station.

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

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

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

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

In the past five (5) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)



DING PENGWAN

(Female, aged 41 - 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 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.

She attended seven (7) out of the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.



LIN YINGYU

(Female, aged 40 - Citizen of the People's Republic of China)
Executive Director

Ms. Lin Yingyu was appointed as the Executive Director on 10 March 2014. She is also a member of our Risk Management Committee.

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

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

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

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

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

In the past five (5) years, she has not been convicted of any offence.

She attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)**ZHU GUOHE**

*(Male, aged 48 - Citizen of the People's Republic of China)
Senior Independent Non-Executive Director*

Mr. Zhu GuoHe was appointed as an Independent Non-Executive Director on 18 August 2009. He has been designated as the Senior Independent Non-Executive Director with effect from 30 November 2012. He is also the Chairman of our Nomination Committee and a member of our Audit Committee, Remuneration Committee and Risk Management Committee.

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

He is an entrepreneur with over 20 years of experience in the advertising industry. After gaining wide industry experience, he established his own advertising agency, Fujian Quanzhou Tianyuan Planning and Advertising Co., Ltd in 1997. Subsequently, he established another advertising firm in China, namely Xiamen Shengshi Tianyuan Media Co., Ltd. In 2010, he established Quanzhou Tianyuan Investment Consulting Co., Ltd. Under his management and leadership, his advertising agencies have grown rapidly to become one of the leading brand creation and integrators in China. His agencies provide advisory services to leading China sports goods companies such as Jordan (China) Co., Ltd., 361° (China) Co., Ltd., XiDeLang, Kangta and the Chinese Basketball Association. He has been instrumental in assisting to establish the 'XiDeLang' brand as well as other prominent sports brands in China.

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

He has been elected as the Executive Vice President (First Council Meeting) and Chairman of the Supervisory Committee (Second Council Meeting) of Zhangzhou Chamber of Commerce in Quanzhou, and the Executive Chairman (First Council Meeting) of Pinghe Chamber of Commerce in Quanzhou.

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

He is also an independent non-executive director of Flyke International Holdings Ltd, a public listed company in Hong Kong.

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

In the past five (5) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)



WONG YOKE NYEN

(Male, aged 59 - Malaysian)

Independent Non-Executive Director

Mr. Wong Yoke Nyen was appointed as an Independent Non-Executive Director on 21 July 2009. He is also the Chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

He obtained his degree in Bachelor of Arts with Second Class Honours (First Division), having completed a course in Accountancy from City of London Polytechnic, United Kingdom (*now known as London Metropolitan University*). He is also a graduate of The Wharton Advance Management Program from the Wharton Business School of the University of Pennsylvania, United States of America.

In 1981, he started his career in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad (*now known as Maybank Investment Bank Berhad*). He is a seasoned investment banker with more than 30 years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad. He was an Honorary Advisor to the Master Builders Association Malaysia from July 2008 to June 2010. In 2004, he started WYNCORP Advisory Sdn. Bhd., a private company licensed to provide corporate finance advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn. Bhd.

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

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

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

In the past five (5) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)**Woon Yeow Thong***(Male, aged 52 - Malaysian)**Independent Non-Executive Director*

Mr. Woon Yeow Thong was appointed as an Independent Non-Executive Director on 4 September 2009. He is also the Chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

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

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

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

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

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

In the past five (5) years, he has not been convicted of any offence.

He has attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This 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 2017 (“MCCG 2017”).

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 2017 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 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.

2. BOARD CHARTER

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”).

3. CODE OF ETHICS AND CONDUCT

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

4. ROLES OF CHAIRMAN, MANAGING DIRECTOR AND NON-EXECUTIVE DIRECTORS

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:

<p>Chairman</p>	<ul style="list-style-type: none"> o Provides leadership to the Board. o Ensure the efficient organisation and conduct of the Board. o Monitor Board’s performance annually. o Facilitate Board’s discussions to ensure core issues faced by our Group are addressed. o Brief all Directors in relation to issues arising at Board meetings. o Facilitate the effective contribution and ongoing development of all Directors. o Promote consultative, constructive, professional and respectful relations among Board members and between the Board and Management. o Chair shareholder meetings.
<p>Managing Director / Chief Executive Officer (“CEO”)</p>	<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.
<p>Deputy CEO</p>	<ul style="list-style-type: none"> o Provide assistance and support to the Managing Director / CEO to carry out his responsibilities. o To assume the role of CEO in the absence of Managing Director / CEO.
<p>Chief Operating Officer (“COO”)</p>	<ul style="list-style-type: none"> o Monitor and manage day-to-day operations of our Group and keeping the Managing Director / CEO and/or Deputy 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).

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)
4. ROLES OF CHAIRMAN, MANAGING DIRECTOR AND NON-EXECUTIVE DIRECTORS (CONT'D)

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.

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 makes reference 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5. SUITABLY QUALIFIED AND COMPETENT COMPANY SECRETARY

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

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

- Compile all the relevant information and agenda for Board meetings and circulate the same to the members of the Board;
- Take minutes of the proceedings at the Board and its committees' meetings;
- Prepare the relevant resolutions for the approval of the Board where applicable;
- Brief the members of the Board on any updates or amendments on the regulatory requirements (including the Listing Requirements), directives and guidance applicable to the listed company, and circulate a copy of the regulatory requirements, directives and guidance to the Board for reference;
- Facilitate the conduct of the Company's annual general meeting ("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.

6. 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, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)
6. ACCESS TO INFORMATION AND ADVICE (CONT'D)

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.

7. BOARD COMPOSITION

During the financial year under review, the Board initially consist of eight (8) Directors, with a balanced mix of Executive Directors and Independent Non-Executive Directors. However, following the retirement of the Deputy Chairman cum Independent Non-Executive Director on 20 June 2017, the Board is made up of four (4) Executive Directors and three (3) Independent Non-Executive Directors at this juncture.

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 will do the necessary to comply with the recommended practice in the financial year ending 31 December 2018.

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.

Members of the Board, and their respective attendance record for the Board meetings conducted during the financial year under review, are as follows:

Name	Designation	Attendance
Ding LiHong	Executive Chairman	8/8
Y.Bhg Dato' Mohamed Nazim Bin Abdul Razak	Deputy Chairman / Independent Non-Executive Director ^	2/4
Ding PengPeng	Managing Director / CEO	8/8
Ding PengWan	Executive Director / Deputy CEO cum COO	7/8
Lin YingYu	Executive Director	8/8
Zhu GuoHe	Senior Independent Non-Executive Director	8/8
Wong Yoke Nyen	Independent Non-Executive Director	8/8
Woon Yeow Thong	Independent Non-Executive Director	8/8

Remark

^ Retired with effect from 20 June 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

8. APPOINTMENT & RE-ELECTION OF DIRECTORS

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

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

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

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.

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

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

In the selection process, the Board and the Nomination Committee endeavour to appoint member that can improve the Board’s overall compositional balance and enhance the Board’s overall effectiveness in discharging its duties, emphasizing primarily on the working experience and knowledge of the candidate; unbiased in respect of race, religion and gender.

During the financial year ended 31 December 2017, our Group has three (3) female Executive Directors albeit there is no female Independent Non-Executive Director. The Board is satisfied with the mix of skills, 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, legal and regulatory requirements, as well as industry insights.

The Board takes note of the recommended practice 4.5 of the MCCG 2017 that the board of directors 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). This is not applicable to our Company, notwithstanding that based on our current board composition, we have fulfilled the requirement. At this juncture, the Board is of the opinion that maintaining an unbiased gender policy will be more constructive and beneficial to our Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

8. APPOINTMENT & RE-ELECTION OF DIRECTORS (CONT'D)

The Board takes note of the recommended practice 4.2 of the MCCG 2017 that:

- 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 year, the Board should seek shareholders' approval through a two-tier voting process as set out in the MCCG 2017.

Up to the date of this Annual Report, none of the Independent Non-Executive Directors has served our Company for tenure exceeding nine (9) years. 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.

On completion of the nine (9) years by a particular independent director, the Board will carry out assessment on the suitability of the said independent director to be re-elected to the Board taking into consideration the following factors:

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

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

9. 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 Director are presented under Profile of the Board of Directors contained in this Annual Report.

To ensure an effective and independent supervision, all the Independent Non-Executive Directors in office 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.

The Board has performed an annual assessment on the Independent Non-Executive Directors and is satisfied that all the existing Independent Non-Executive Directors continue to fulfil the definition of independence as stipulated in the Listing Requirements.

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.

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

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 year under review, as substantiated by the good attendance record of the Directors at the Board meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

10. 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 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/certain individuals; and
 - (h) Shareholders' communication and investor relations' policies and programmes.

- In respect of 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 considered to be satisfactory.

11. DIRECTORS' TRAINING

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

11. DIRECTORS' TRAINING (CONT'D)

Directors recognise the importance of continuing professional development and the need for continuous update and training. During the financial year under review, the individual Directors kept abreast with the changes and developments in the marketplace and the corporate regulatory framework 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
- Structured training programme.

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

Name of Director	Title of Training Programmes
Wong Yoke Nyen	<ul style="list-style-type: none"> o China's One Belt, One Road (OBOR) Initiative: The Rise of East Asia and Pacific o Sun Tzu's Art of War for Traders and Investors Series: Effective Corporate Strategy in Current Environment

Moving forward, the Board will get the assistance from the Company Secretary to identify and recommend suitable training programme for the Directors' participation.

12. DIRECTORS AND KEY MANAGEMENT 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, taking into account both size and business complexity.

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

For Executive Directors and Key Management Personnel

- (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.

The remuneration package for the Executive Directors shall be subject to review by the Remuneration Committee annually.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
 (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)
12. DIRECTORS AND KEY MANAGEMENT REMUNERATION (CONT'D)
For Non-Executive Directors

- (i) The fees payable shall 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 Non-Executive Directors shall be subject to shareholders' approval at the AGM.

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.

Details of the remuneration for each of the Directors and key management personnel during the financial year ended 31 December 2017 are set out below:

Executive Directors

	Salary RMB'000	Bonus RMB'000	Other Emolument RMB'000	Total RMB'000
Ding LiHong	586	500	6	1,092
Ding PengPeng	586	500	6	1,092
Ding PengWan	222	250	6	478
Lin YingYu	97	55	6	158
Grand Total	1,491	1,305	24	2,820

Remark

The remuneration of the Executive Directors are payable by a subsidiary company.

Non-Executive Directors

	Fees RMB'000	Allowance RMB'000	Total RMB'000
Y.Bhg Dato' Mohamed Nazim Bin Abdul Razak	98	–	98
Zhu GuoHe	84	–	84
Wong Yoke Nyen	137	39	176
Woon Yeow Thong	137	39	176
Grand Total	456	78	534

Remark

The remuneration of the Non-Executive Directors are payable by the Company. The breakdown of fees and allowance as disclosed above differs from the disclosure in the annual audited financial statements. Relevant adjustment will be made subsequent to financial year-end, once the proposed amounts as stated above are approved by the shareholders at the forthcoming AGM.

The remuneration of the Non-Executive Director resides in the People's Republic of China is denominated in RMB, while the remuneration of the Non-Executive Directors reside in Malaysia are denominated in RM.

For presentation purpose, remuneration of the Non-Executive Directors denominated in RM has been translated at the exchange rate of RMB1: RM0.6139.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)
12. DIRECTORS AND KEY MANAGEMENT REMUNERATION (CONT'D)
Key Management Personnel

	Salary RMB'000	Bonus RMB'000	Other Emolument RMB'000	Total RMB'000
Ding QingYa	114	150	6	270
Zhuang QiongHua	114	150	6	270
Ding MaoFeng	117	150	6	273
Grand Total	345	450	18	813

Remark

The above disclosure has excluded the remuneration paid to a key management personnel who had resigned during the financial year under review.

13. 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 are capable and competent of assuming the primary executive management function in the event of unforeseeable emergency.

For the non-executive capacity, our Group presently has three (3) Independent Non-Executive Directors. This offers additional assurance that a quorum will remain available in the event of abrupt absence of any individual Independent Non-Executive Director. This applies also to the Board committees, where the composition consists of a minimum of three (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 to decide as a whole.

14. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

14. BOARD COMMITTEES (CONT'D)

Nomination Committee

Our Nomination Committee comprises exclusively Independent Non-Executive Directors, the Chairman of which is the Senior Independent Non-Executive Director.

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*).

During the financial year ended 31 December 2017, one (1) meeting was held by the Nomination Committee and the following activities were undertaken:

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

The meeting was attended by all members of the Nomination Committee as reflected below:

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

Remuneration Committee

During the financial year under review, the Remuneration Committee comprised primarily Independent Non-Executive Directors with the involvement of one (1) Executive Director.

Subsequent to the financial year-end, on 26 February 2018, the Executive Director resigned as a member of Remuneration Committee to adhere to the recommended guidance 6.2 of MCCG 2017 which advocates that the remuneration committee should only consist of non-executive directors with a majority of them must be independent 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*).

The composition of the Remuneration Committee and the attendance record of its members during the financial year under review are reflected below:

Name	Designation	Attendance
Woon Yeow Thong	Chairman	1/1
Y.Bhg Dato' Mohamed Nazim Bin Abdul Razak	Member	0/1
Ding PengPeng [^]	Member	1/1
Zhu GuoHe	Member	1/1
Wong Yoke Nyen	Member	1/1

Remark

[^] Resigned as member of the Remuneration Committee on 26 February 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE

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.

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.

The Risk Management Committee comprises the following members:

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

The Board takes note of the step up practice 9.3 of MCCG 2017 which advocates that the Risk Management Committee members should comprise a majority of independent directors. At this juncture, the Board is also assisted by the Audit Committee (which consists entirely 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 the deviation from the aforementioned step up practice does not expose the Group to the threat of material deficiencies in risk management function.

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 impact 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 year under review are set out in the Statement on Risk Management and Internal Control contained in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

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, Messrs. BDO, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. 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 audit fees and non-audit 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, 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.

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 with regard to undisclosed material information under all circumstances and remains mindful of the legal and regulatory framework (particularly the Listing Requirements) governing the dissemination of information to shareholders and the general public.

The Company has established a corporate disclosure policy to govern the disclosure of material, non-public information in a manner designed to provide broad, non-exclusionary distribution of information so that the public has equal access to the information; and to prevent the abuse of undisclosed material information.

The 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

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 solicit 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 in the Company's last AGM, 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 Senior Independent Non-Executive Director and/or any other Directors 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 annual 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 year, the financial performance and cash flows of the Group for the financial year ended 31 December 2017.

In preparing the financial statements, the Directors have:

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

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

CORPORATE GOVERNANCE 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 2017 during the financial year 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 (*Listed Companies Section - Company Announcements*).

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 affirms its overall responsibility for establishing and maintaining a sound risk management framework and system of internal control to manage the risk exposure of the Group; and for reviewing the adequacy and integrity of the system.

The Board recognises that such risk management and internal control systems are designed to manage and maintain 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. Therefore, the systems 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.

During the financial year ended 31 December 2017, 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:



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

BOARD'S RESPONSIBILITIES (CONT'D)

- 1st Line of Defence**
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.
- 2nd Line of Defence**
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.

RISK MANAGEMENT

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

The risk management framework sets out clearly the accountability of various management levels within the organisational structure:

The Board

- Overall oversight of risk management

Chief Executive Officer

- Accountable to the Board and other stakeholders for the efficient and effective management of strategic and operational risks within the Group

Executive Directors and Key Management (Executive Team)


- Strategic risk assessment and oversight
- Recommending the levels of acceptable risk

Heads of Business Unit / Department

- Strategic and operational risk assessment, management, monitoring and reporting for all risks relative to their area of control

Managers

- Operational risk assessment, management, monitoring and reporting to Heads of Department and Executive Team for activities within their control



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

RISK MANAGEMENT (CONT'D)

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.

Risks were 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:

Rating	Principal risks	Key Risk Management Processes
<i>High risk</i> ^	<ul style="list-style-type: none"> Non-recoverability of trade debts 	<ul style="list-style-type: none"> ✓ Monthly reconciliation of outstanding balance with customers, and continuous follow-up on amount exceeding credit term. ✓ Monthly review and monitoring of the trade receivables’ ageing analysis.
<i>Moderate risk</i>	<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 e.g. in relation to statutory payments. ✓ Regular update on new policies and measures implemented by the central government.
	<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"> Brand positioning & market competition 	<ul style="list-style-type: none"> ✓ Concentrate on sports shoes manufacturing, both own-branding and ODM segments. ✓ Continue to enhance the relationship with ODM customers and strengthen their confidence on the Group. ✓ 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.
	<ul style="list-style-type: none"> Loss of authorised distributors 	<ul style="list-style-type: none"> ✓ Maintain close monitoring on the performance of the authorised distributors and obtain regular feedbacks from them. ✓ The Group’s sales and marketing team to pay regular visits to the authorised distributors, in order to establish and maintain close relationship and rapport with the authorised distributors.
	<ul style="list-style-type: none"> Natural disaster 	<ul style="list-style-type: none"> ✓ Comprehensive insurance coverage on assets. ✓ Regular update on weather forecast and any bad weather alert issued by the local authority. ✓ Management to issue directive to employees to stay indoors. ✓ Prompt actions to recover and remedy any damages caused by bad weather. ✓ Carry out reinforcement to trees and other hardware/equipment with risk of tumbling.

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

INTERNAL CONTROL

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

The key features of the Group's system of internal control are described below:

Control Environment

o Clearly defined lines of accountability and delegated authority

The Board and Management have established an organisational structure with clearly defined lines of accountability and delegated authority. This includes well-defined roles and responsibilities of the Board, the Board committees and various management levels, including authorisation levels and limits for all material aspects of the business.

o Active participation by top management

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.

o Oversight function by Audit Committee

The Board has established a fully independent Audit Committee comprising exclusively 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

o 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.

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

INTERNAL CONTROL (CONT'D)

Information & Communication

o 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 particularly on the core areas of conduct which include:

- ❖ conflict of interest;
- ❖ confidential and proprietary information;
- ❖ price sensitive information and securities trading;
- ❖ protection of Group's assets and fund;
- ❖ control of business records;
- ❖ compliance with applicable laws;
- ❖ personal gifts, gratuities, benefits and contributions;
- ❖ occupational health and safety;
- ❖ religious/ racial/ sexual discrimination;
- ❖ outside activities and interests;
- ❖ fair and courtesy inter-personal conduct; and
- ❖ dishonesty, misconduct and corrupt practices

o 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 the applicable laws and regulations and the Group's policies.

Control Activities

o 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 of the Group.

o Insurance

The Group has procured insurance coverage on its assets to safeguard the Group from financial losses in the event of mishap. A yearly review on the insurance coverage is undertaken by the Management in conjunction with the policy renewal.

Monitoring

o Financial planning and budgeting control

During the financial year under review, an internal financial projection up to year 2021 was submitted to the Board for review and deliberation. The financial projection is used to facilitate the Board's monitoring of the Group's performance, to determine whether prompt actions are taken in the event of material adverse deviation between the actual results against the financial projection.

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

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

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.

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.

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

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

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement. As set out in their terms of engagement, the said review procedures were performed in accordance with the *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.

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

CONCLUSION

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

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

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

This Statement is made in accordance with the resolution of the Board dated 11 April 2018.

AUDIT COMMITTEE REPORT

1) COMPOSITION

The Audit Committee (“the Committee”) is established to assist the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and internal control, and regulatory compliance. The Committee composed exclusively of Independent Non-Executive Directors, as disclosed below:

Name	Position
• Wong Yoke Nyen	<i>Chairman / Independent Non-Executive Director</i>
• Zhu GuoHe	<i>Member / Senior Independent Non-Executive Director</i>
• Woon Yeow Thong	<i>Member / Independent Non-Executive Director</i>

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.

2) RESPONSIBILITIES AND DUTIES

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 XiDeLang’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:



AUDIT COMMITTEE REPORT
(CONT'D)

2) RESPONSIBILITIES AND DUTIES (CONT'D)

The primary responsibilities and duties of the Committee are described below.

Oversight Function
Risk Management & Internal Control
<ul style="list-style-type: none"> • Assist the Board in identifying the principal risks in the achievement of the Company's objectives 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's and Group's assets from misappropriation and encourage legal and regulatory compliance. • Overall oversight responsibilities over the 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.
Financial Reporting
<ul style="list-style-type: none"> • Propose best practices on disclosure in financial results 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: <ul style="list-style-type: none"> - 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
External Audit
<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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).

AUDIT COMMITTEE REPORT
(CONT'D)

3) MEETINGS

During the financial year ended 31 December 2017, five (5) meetings were held by the Committee. The details of attendance of each member are disclosed below:

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

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

All the proceedings at the Committee meetings were properly minuted 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.

4) SUMMARY OF ACTIVITIES

During the financial year, the Committee had carried out the following activities in discharging its roles and responsibilities:

Risk Management and Internal Control

- (i) Reviewed the Internal Auditors’ reports, the findings included therein and Management responses thereto and actions taken to improve the system of internal controls. The Committee had received two (2) reports from the Internal Auditors during the financial year ended 31 December 2017, detailing the findings of reviews carried out in accordance to the audit plan and scope of work approved by the Committee, namely:
 - o Report dated May 2017, which covered the following functions/areas:
 - Production;
 - Security, safety and access (physical); and
 - Hostel management.
 - o Report dated November 2017, which focused on:
 - Corporate governance review, to determine the status of application of the latest Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) or compliance on current set up as per the Principles and Recommendations outlined in the MCCG 2017; and
 - Information technology (“IT”) function.
- (ii) Ensured that appropriate remedial actions and improved procedures were implemented by the Management on the findings arising from the internal audit reviews. The Committee obtained update on the status of implementation via follow-up review by the Internal Auditors.
- (iii) Assessed the independence, objectivity and competency of the Internal Auditors.

AUDIT COMMITTEE REPORT (CONT'D)

4) SUMMARY OF ACTIVITIES (CONT'D)

Financial Reporting

- (i) Reviewed the unaudited interim/quarterly financial reports, before recommending them to the Board for approval and public announcement to Bursa Securities and Securities Commission (“SC”). In reviewing the unaudited interim/quarterly financial results, the Committee had considered the following:
 - o 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 year ended 31 December 2017; and
 - o The fluctuations in the financial performance. The Committee had sought clarifications from the Management on the reasons for the variances in the financial results (as compared to preceding year corresponding periods), particularly on the Group’s revenue, profitability and expenses; and ensured that consistent disclosures were made in the interim/quarterly financial reports.
- (ii) Reviewed the annual audited financial statements, before recommending them to the Board for approval and public announcement to Bursa Securities and SC. In reviewing the annual audited financial statements, the Committee had communicated with the External Auditors, Messrs. BDO Malaysia with particular focus on:
 - o Compliance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, and other relevant legal and regulatory requirements.
 - o 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 under review; and how these matters were addressed.

The review of the annual audited financial statements for the financial year ended 31 December 2016 was conducted in April 2017. The review of the annual audited financial statements for the financial year ended 31 December 2017 was conducted subsequent to the year-end, in April 2018.

- (iii) Reviewed the disclosures made within the Annual Report, particularly the Audit Committee Report, Statement on Corporate Governance, Sustainability Statement 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 31 December 2016 was conducted in April 2017. The review of the Annual Report for the financial year ended 31 December 2017 was conducted subsequent to the year-end, in April 2018.

AUDIT COMMITTEE REPORT (CONT'D)

4) SUMMARY OF ACTIVITIES (CONT'D)

External Audit

- (i) Reviewed with the External Auditors the results of the annual audit for the financial year ended 31 December 2016, the audit report, management letter including the Management's responses thereto and the extent of compliance with legal and regulatory requirements.
- (ii) Considered the re-appointment of External Auditors (including assessment of their independence, objectivity and competency) and their fees for the financial year ended 31 December 2017, and made appropriate recommendation to the Board.
- (iii) Reviewed with the External Auditors the audit plan for the financial year ended 31 December 2017, which covered the audit approach, concept of materiality and the basis applied in determining the materiality level, areas of significant auditor attention and key members of the audit engagement team.

The Committee had obtained written assurance from the External Auditors that they have complied with the relevant ethical requirements regarding professional independence.

- (iv) Met twice with the External Auditors without the presence of the Executive Directors and Management where it was confirmed that full assistance was given by Management and employees and there was no restriction to the scope of audit.
- (v) Subsequent to the year-end, in April 2018, reviewed with the External Auditors the results of the annual audit for the financial year ended 31 December 2017, the audit report and the extent of compliance with legal and regulatory requirements.

Other Activities

- 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 year under review.
- Enquired on the status of utilisation of proceeds raised from Private Placement and Right Issue of Warrants in 2012 and Right Issue in 2014, and the status and project proposal for the construction of the second stage of the new design and production centre. Relevant disclosure on the status update had been reflected in the unaudited interim/quarterly financial reports.
- Reviewed the internal performance forecast (up to year 2021) and evaluated the business strategies and development plans suggested by the Management.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

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 financial year under review.

The Internal Auditors report directly to the Committee. The primary role of the internal audit function is to review the effectiveness of the Group’s systems on internal control and this is performed with impartiality, proficiency and due professional care. Total internal audit fees incurred in respect of financial year ended 31 December 2017 amounted to RM45,000.

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

During the financial year ended 31 December 2017, the Internal Auditors had carried out the independent review on the following areas:

- (a) Production, Security, safety and access (Physical) and Hostel management. The Internal Auditors concluded that overall internal controls are in place and sound due to effective applications and compliance to the Group’s policies and procedures, operating, accounting and the applicable regulatory requirements, with only one (1) matter being highlighted that required improvement. The findings, together with the management responses thereto and the recommended action plans, had been documented in the Internal Auditors’ Report and tabled directly to the Committee for monitoring.
- (b) Corporate governance review and IT review. Eleven (11) areas were highlighted for the Group to consider and implement in relation to the corporate governance review, in order to comply with the new MCGG 2017; whilst one (1) matter was identified from the IT review. The findings, together with the management responses thereto and the recommended action plans, had been documented in the Internal Auditors’ Report and tabled directly to the Committee for monitoring. The Internal Auditors concluded that overall internal controls are satisfactory, notwithstanding that further improvement was recommended on the highlighted matters.

ADDITIONAL CORPORATE DISCLOSURE

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

Private placement and rights issue of warrants in 2012

Total gross proceeds raised amounted to RM29.70 million (equivalent to approximately RMB54.78 million). The status of utilisation is as follows:

(In RMB)		Proposed	Actual	Deviation		
Purpose	Intended Timeframe	Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Purchase machinery and equipment for new design and production centre	Before 31 December 2018	53,670	34,990	18,680	34.8	N1
ii) Estimated expenses in relation to the corporate exercise	Immediate	1,107	1,107	–	–	
		54,777	36,097	18,680		

(In RM)		Proposed	Actual	Deviation		
Purpose	Intended Timeframe	Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i) Purchase machinery and equipment for new design and production centre	Before 31 December 2018	29,100	19,424	9,676	33.3	#
ii) Estimated expenses in relation to the corporate exercise	Immediate	600	600	–	–	
		29,700	20,024	9,676		

N1 *In line with the Group's strategic re-positioning of business focus, the Group is making appropriate alteration to the types of machinery and equipment to be invested in. Accordingly, a longer period is required for the remaining funds to be fully utilised. Barring any unforeseen circumstances, the Group expects the remaining funds to be fully utilised before 31 December 2018.*

Differential rate of deviation between RMB and RM was due to the fluctuations in exchange rate.

ADDITIONAL CORPORATE DISCLOSURE
(CONT'D)

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES (CONT'D)
Rights Issue in 2014

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

(In RMB)		Proposed	Actual	Deviation		
Purpose	Intended Timeframe	Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	151,246	–	151,246	100.0	N2
ii) Estimated expenses in relation to the corporate exercise	Immediate	1,807	1,807	–	–	
		153,053	1,807	151,246		

(In RM)		Proposed	Actual	Deviation		
Purpose	Intended Timeframe	Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	83,700	–	83,700	100.0	N2
ii) Estimated expenses in relation to the corporate exercise	Immediate	1,000	1,000	–	–	
		84,700	1,000	83,700		

N2 The utilisation for the funds raised is expected to be within three (3) years from the commencement of Stage 2 Construction. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.

2. AUDIT AND NON-AUDIT SERVICES

Financial year ended 31 December 2017	Group RMB'000	Company RMB'000
Paid or payable to the external auditors:		
• Audit fees	551	465
• Non-audit fees	117	117

Remark

The non-audit fees incurred during the financial year under review were in respect of agreed-upon procedures performed in connection with the Group's corporate proposals.

ADDITIONAL CORPORATE DISCLOSURE (CONT'D)

3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

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 and major shareholders, either still subsisting at the end of the financial year 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 year 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 year under review.

6. EMPLOYEE SHARE SCHEME

An employee share option scheme ("ESOS") was approved by the shareholders at the Special General Meeting held on 10 April 2015, with the effective date for implementation on 17 April 2015 ("Scheme Effective Date").

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

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 year ended 31 December 2017, there is only one (1) ESOS in existence.

No options or shares were granted to the eligible employees during the financial year under review. A total of 198,224,000 options were granted in 2015, which had been fully exercised in the same year.

No options were granted to the following persons since the commencement of the ESOS and up to 31 December 2017:

- (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 Listing Requirements are not applicable to the Company.

7. KEY SENIOR MANAGEMENT

The profile of the key senior management personnel can be accessed on the Company's corporate website at www.xidelang.com.my.

SUSTAINABILITY STATEMENT

This Sustainability Statement aims to outline the key environmental, social and governance aspects that are material to the continued success of our Group's operations in manufacturing and marketing of own-branding casual sportswear and ODM manufacturing of sports shoes for external customers, based in Jinjiang City, Fujian Province of China.

Our Group emphasises on the following core areas of sustainability:



(1) Customer Satisfaction

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 preserved at all times 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 and marketer of proprietary sportswear brand;
- ❖ Raw materials suppliers;
- ❖ Authorised distributors and retailers who are responsible to establish an extensive retail coverage for 'XiDeLang' products across China; and
- ❖ Customers, consisting of the general public that consume our proprietary brand products, and 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.

SUSTAINABILITY STATEMENT
 (CONT'D)

(1) Customer Satisfaction (Cont'd)

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:

Internal

Appropriate control and monitoring mechanism has been implemented at various stages of the production process, in order 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 close 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 authorised distributors and retailers managed by them are essential to the sustainability of our proprietary brand operations, benefiting us with market presence and retail coverage across the provinces and cities in China. As such, it is in our interest to ensure that our authorised distributors and retailers are operating efficiently and profitably.

To this end, we always ensure products supplied to the authorised distributors and retailers are of good quality, at a price which will allow them decent retail profit margin. Apart from that, we also benefit them with our strategic brand positioning and continuous brand-building activities.

The Management, assisted by the marketing team, maintain regular communication with the authorised distributors and retailers on the following:

- (i) Optimisation of the existing retail network, in order to transform the retail outlets into “experience store” in line with our online-to-offline marketing strategy;
- (ii) Consumer spending sentiments and trends for the local market, as well as acceptance level of our products; and
- (iii) In-store inventory turnover rate, to ensure that inventory level is kept at reasonable level to minimise risk of slow-moving/excessive stocks as well as to allow us better planning on our production to achieve shorter delivery lead time.

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

Indicator	2016	2017
Customer base		
• Number of authorised distributors (own-branding)	23	23
• Number of transacted ODM customers	20	24
Total quantities sold (in '000 pairs)		
• Own-branding sports shoes	4,129	4,330
• ODM manufacturing of sports shoes	2,414	3,040
Trade payables turnover period (days)	88	67

SUSTAINABILITY STATEMENT (CONT'D)

(1) Customer Satisfaction (Cont'd)

The quantitative indicators pointed towards the following:

- o Improved customer satisfaction of our Group's products during the financial year under review, where we recorded increased number of ODM customers as well as growth in total quantities sold for both the own-branding segment and the ODM manufacturing segment; and
- o We uphold our payment obligations to the suppliers, where the trade payables turnover period fell within the average credit period of 120 days extended to us by the suppliers.

(2) People-Centric

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:

- o **Safe and conducive working environment.** It is our Group's policy that production floor must be maintained clean and orderly organised at all times 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.
- o **Sense of belonging.** We have established free 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.
- o **Personal development.** On-the-job training and guidance are provided to the employees, from time to time, as the need arises.
- o **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.

During the financial year under review, our Group has carried out the following activities / initiatives to enhance the human capital aspect:

- (i) Team building activities, where the Group has organised annual dinner, departmental meal gathering, festive celebration activity, movie night and company trip 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 conduct of fire drill
 - Comprehensive safety training.
- (iii) Sponsored the managerial employees for external training programmes and corporate visits, to enhance their exposure and leadership skills.

SUSTAINABILITY STATEMENT (CONT'D)

(2) People-Centric (Cont'd)

During the financial year under review, our Group has carried out the following activities / initiatives to enhance the human capital aspect (cont'd):

- (iv) Internal competition and safety awareness event to sharpen the skillset of the employees.
- (v) Medical check-up, as well as consultation and counselling session by external expert, for female employees.
- (vi) Caring-for-staff initiatives:
 - Consolation sessions for employees in distress
 - Goody bags to female employees in conjunction with the Women's Day
 - Aids to assist employees' children to continue study.

(3) Community Care

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 annual contribution to the community, particularly in relation to improving the welfare of old folks and education environment (crucial element for the development of future generations). During the financial year under review, our Group has made donations totalling RMB105,000 as our initiative for community care.

(4) Environmental Protection

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.

The layout of our Group's headquarter and production centre is also 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 headquarter 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.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RMB'000	Company RMB'000
Profit/(Loss) for the financial year	16,587	(2,799)
<hr/>		
Attributable to:		
Owners of the parent	16,587	(2,799)
<hr/>		

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2017.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was decreased from 2,695,482,154 ordinary shares (including 1,000 shares held as treasury shares) to 673,870,538 ordinary shares (inclusive 250 Consolidated Shares held as treasury shares) by way of share consolidation pursuant to the following:

- (i) consolidate every four (4) ordinary shares of par value USD0.01 each in the authorised and issued capital into one (1) ordinary share of par value USD0.04 each; and
- (ii) warrant 2015/2018 was adjusted from 881,236,448 at an exercise price of RM0.04 to 220,309,112 at an exercise price of RM0.16.

There were no other issues of shares during the financial year.

The Company did not issues any debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

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

WARRANTS

Warrants 2014/2017

On 27 January 2014, the Company listed and quoted 181,499,212 free detachable Warrants (Warrants 2014/2017) pursuant to the Right Issue with Warrant Exercise on the basis of four (4) Rights Shares together with three (3) free warrants 2014/2017 and three (3) Bonus shares for every twelve (12) shares subscribed.

The Warrants 2014/2017 were constituted by the Deed Poll dated 9 December 2013 ("Deed Poll").

Each Warrant entitles the registered holder thereof ("Warrant holder(s)") to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.35, subject to the adjustment as set out in the Deed Poll.

Pursuant to the Bonus Issue of the Company on 27 January 2016, the Company issued 181,499,212 free detachable Warrants (Warrants 2014/2017). In accordance with the Deed Poll dated 9 December 2013, the holders of the existing Warrants 2014/2017 were entitled to an adjustment to the exercise price and the number of warrants, pursuant to the Bonus Issue on 27 January 2016. Accordingly, an 181,499,212 of Warrants 2014/2017 which the warrants remain unexercised as at 14 January 2016 was issued with a fair value of RM0.0002 and an exercise price of RM0.18. The exercise price of RM0.18 was subsequently adjusted to RM0.06 pursuant to the par value reduction on 23 June 2016. The details of the warrant reserve arising from this exercise are disclosed in Note 11(d).

The Warrants expired on 20 January 2017.

DIRECTORS' REPORT
(CONT'D)

WARRANTS (CONT'D)

Warrants 2014/2017 (cont'd)

Movements in the Warrants since the listing and quotation thereof are as follows:

	Number of Warrants
As of 27 January 2014	181,499,212
Adjustment in financial year 2016:	
- Adjustment arising from the bonus issue	181,499,212
Unexercised upon expiry date	(362,998,424)
<hr/>	
As of 31 December 2017	-

Warrants 2015/2018

On 9 July 2015, the Company listed and quoted 440,639,689 free detachable Warrants (Warrants 2015/2018) pursuant to the Bonus issue of up to 501,139,441 warrants on the basis of one (1) Warrant for every three (3) existing ordinary shares subscribed.

The Warrants 2015/2018 were constituted by the Deed Poll dated 17 June 2015 ("Deed Poll").

Each Warrant entitles the registered holder thereof ("Warrant holder(s)") to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.115 or the RM equivalent of the par value of the Shares, whichever is higher, or such price as adjusted, subject to the adjustment as set out in the Deed Poll.

Pursuant to the Bonus Issue of the Company on 27 January 2016, the Company issued 440,619,890 free detachable Warrants (Warrants 2015/2018). In accordance with the Deed Poll dated 17 June 2015, the holders of the existing Warrants 2015/2018 were entitled to an adjustment to the exercise price and the number of warrants, pursuant to the Bonus Issue on 27 January 2016. Accordingly, an 440,619,890 of Warrants 2015/2018 which the warrants remain unexercised as at 14 January 2016 was issued with an exercise price of RM0.115. The exercise price of RM0.115 was subsequently adjusted to RM0.04 pursuant to the par value reduction on 23 June 2016. The details of the warrant reserve arising from this exercise are disclosed in Note 11(d).

Pursuant to Share Consolidation of the Company on 18 May 2017, the Company had on 17 May 2017 issued 673,870,538 Consolidated Shares to the Shareholders, adjusted number of 220,309,112 Warrants 2015/2018 to the holders of outstanding Warrants 2015/2018. The exercise price of RM0.04 was subsequently adjusted to RM0.16 pursuant to the Share Consolidation.

The Warrants will be expired on 2 July 2018.

DIRECTORS' REPORT
(CONT'D)

WARRANTS (CONT'D)

Warrants 2015/2018 (cont'd)

Movements in the Warrants since the listing and quotation thereof are as follows:

	Number of Warrants
As of 9 July 2015	440,639,689
Adjustment in financial year 2015:	
- Exercised during the financial year	(19,799)
Adjustment in financial year 2016:	
- Adjustment arising from the bonus issue	440,619,890
- Exercised during the financial year	(3,332)
Adjustment in financial year 2017:	
-Adjustment arising from the share consolidation	(660,927,336)
<hr/>	
As of 31 December 2017	220,309,112
<hr/>	

Other than above, no options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

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

XiDeLang Holdings Ltd

Ding LiHong
 Ding PengPeng
 Ding PengWan
 Wong Yoke Nyen
 Zhu GuoHe
 Woon Yeow Thong
 Lin YingYu
 Dato' Mohamed Nazim Bin Abdul Razak (Retired on 20 June 2017)

Subsidiaries of XiDeLang Holdings Ltd

Ding PengPeng
 Ding QingYa

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year and his beneficial interests in ordinary shares and warrants in the Company during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company were as follows:

	[-----Number of ordinary shares -----]			Balance as at 31.12.2017
	Balance as at 1.1.2017	Allotted	Consolidated	
Shares in the Company				
Indirect interest:				
Ding PengPeng*	900,000,000	–	(675,000,000)	225,000,000
	[-----Number of warrants-----]			Balance as at 31.12.2017
	Balance as at 1.1.2017	Allotted	Disposal	
Warrants in the Company				
Indirect interest:				
Ding PengPeng*				
Warrant 2015/2018	299,999,998	–	(299,999,998)	–

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

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

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

DIRECTORS' BENEFITS

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

- (i) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (ii) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 20 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrant issued as disclosed in Note 11(d) to the financial statements.

DIRECTORS' REPORT
 (CONT'D)

DIRECTORS' REMUNERATION

The fees and other benefits of the Directors who held office are as follows:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Directors' remunerations				
- fees	494	567	494	567
- salaries and other emoluments	2,860	2,828	40	37
	3,354	3,395	534	604

INDEMNITY AND INSURANCE

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year 2017 was RM7,500.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(I) AS AT THE END OF THE FINANCIAL YEAR

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

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

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT
(CONT'D)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

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

- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 25 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 26 to the financial statements.

ULTIMATE HOLDING COMPANY

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

AUDITORS

Auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2017 amounted to RMB551,000 and RMB465,000 respectively.

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

Ding PengWan
Director

Lin YingYu
Director

11 April 2018

STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 70 to 104 have been drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Ding PengWan
Director

11 April 2018

Lin YingYu
Director

STATUTORY **DECLARATION**

We, **Ding PengWan and Lin YingYu**, being the Directors primarily responsible for the financial management of XiDeLang Holdings Ltd, do solemnly and sincerely declare that the financial statements set out on pages 70 to 104 are, to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur this
11 April 2018

.....
Ding PengWan

.....
Lin YingYu

Before me:

INDEPENDENT **AUDITORS' REPORT**

To the members of Xidelang Holdings Ltd
(Incorporated in Bermuda)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of XiDeLang Holdings Ltd, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. 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.

Recoverability of trade receivables

As at 31 December 2017, trade receivables was amounted to RMB179,234,000. The details of trade receivables have been disclosed in Note 8 to the financial statements.

Management assesses impairment losses on trade receivables based on specific known facts or circumstances or management judgement on customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement.

Audit responses

The audit procedures with the involvement of component auditors included the following:

- (i) evaluated the credit process operated by management over the recoverability of trade receivables of the Group;
- (ii) critically assessed recoverability of receivables that were past due but not impaired with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (iii) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company 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 approved standards on auditing in Malaysia and ISAs 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 approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.
- (b) 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 and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- (d) Conclude on the appropriateness of the Directors' 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 ability of the Group or of the Company 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 of the Group and of the Company 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 or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors 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 the Directors 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, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year 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.

Other Matters

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

BDO
AF : 0206
Chartered Accountants

11 April 2018
Kuala Lumpur

Lee Ken Wai
03185/07/2019 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 RMB'000	Group 2016 RMB'000	2017 RMB'000	Company 2016 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	549,572	555,720	–	–
Land use rights	5	47,895	49,113	–	–
Investments in subsidiaries	6	–	–	631,916	631,916
		597,467	604,833	631,916	631,916
Current assets					
Inventories	7	6,071	7,350	–	–
Trade and other receivables	8	179,476	238,629	191,691	195,490
Current tax assets		1,672	1,555	–	–
Cash and bank balances	9	619,239	562,208	26	12
		806,458	809,742	191,717	195,502
TOTAL ASSETS		1,403,925	1,414,575	823,633	827,418
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	10	157,909	157,909	157,909	157,909
Reserves	11	1,109,274	1,092,687	664,950	667,749
TOTAL EQUITY		1,267,183	1,250,596	822,859	825,658
LIABILITIES					
Non-current liability					
Deferred tax liabilities	12	21,027	20,044	–	–
Current liabilities					
Trade and other payables	13	110,715	133,935	774	1,760
Borrowings	14	5,000	10,000	–	–
		115,715	143,935	774	1,760
TOTAL LIABILITIES		136,742	163,979	774	1,760
TOTAL EQUITY AND LIABILITIES		1,403,925	1,414,575	823,633	827,418

These financial statements have been approved by the Board of Directors of the Company on 11 April 2018.

Lin YingYu
Director

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	15	542,422	503,834	–	–
Cost of sales		(449,522)	(419,906)	–	–
Gross profit		92,900	83,928	–	–
Other income		2,289	2,061	–	12
Distribution costs		(391)	(259)	–	–
Administrative and other expenses		(69,646)	(74,022)	(2,799)	(2,510)
Finance costs		(301)	(438)	–	–
Profit/(Loss) before tax	16	24,851	11,270	(2,799)	(2,498)
Tax expense	17	(8,264)	(4,336)	–	–
Profit/(Loss) for the financial year		16,587	6,934	(2,799)	(2,498)
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income/(loss)		16,587	6,934	(2,799)	(2,498)
Profit/(Loss) attributable to: Owners of the parent		16,587	6,934	(2,799)	(2,498)
Total comprehensive income/(loss) attributable to: Owners of the parent		16,587	6,934	(2,799)	(2,498)
Earnings per ordinary share attributable to equity holders of the Company (RMB):					
Basic	22	0.0123	0.0051		
Diluted	22	0.0109	0.0051		

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2017

Group	Note	[-----Non-distributable-----]					Distributable			Total equity RMB'000	
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Warrant reserve RMB'000	Statutory surplus reserve RMB'000	Merger deficit RMB'000	Exchange translation reserve RMB'000		Retained earnings RMB'000
Balance at 1 January 2016		246,681	(1)	15,087	489,446	23,975	36,432	(204,906)	33,401	603,547	1,243,662
Profit for the financial year		-	-	-	-	-	-	-	-	6,934	6,934
Other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	-	6,934	6,934
Transactions with owners											
Transfer to statutory reserve		-	-	-	-	-	1,457	-	-	(1,457)	-
Ordinary shares issued pursuant to bonus issue	10	265,903	-	-	(265,903)	-	-	-	-	-	-
Par value reduction	10	(354,675)	-	-	354,675	-	-	-	-	-	-
Fair value on additional warrants issued pursuant to bonus issue of shares		-	-	-	-	57	-	-	-	(57)	-
Total transactions with owners		(88,772)	-	-	88,772	57	1,457	-	-	(1,514)	-
Balance at 31 December 2016		157,909	(1)	15,087	578,218	24,032	37,889	(204,906)	33,401	608,967	1,250,596

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 (CONT'D)

	[-----Non-distributable-----]					Distributable		Total equity RMB'000		
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Warrant reserve RMB'000	Statutory surplus reserve RMB'000	Merger deficit RMB'000		Exchange translation reserve RMB'000	Retained earnings RMB'000
Group										
Balance at 1 January 2017	157,909	(1)	15,087	578,218	24,032	37,889	(204,906)	33,401	608,967	1,250,596
Profit for the financial year	-	-	-	-	-	-	-	-	16,587	16,587
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	16,587	16,587
Transactions with owners										
Transfer to statutory reserve	-	-	-	-	-	2,185	-	-	(2,185)	-
Unexercised warrants lapsed	-	-	-	-	(24,032)	-	-	-	24,032	-
Total transactions with owners	-	-	-	-	(24,032)	2,185	-	-	21,847	-
Balance at 31 December 2017	157,909	(1)	15,087	578,218	-	40,074	(204,906)	33,401	647,401	1,267,183

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

STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2017

Company	Note	Non-distributable			Distributable			Total equity RMB'000
		Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Warrant reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2016		246,681	(1)	15,087	489,446	23,975	52,968	828,156
Loss for the financial year		-	-	-	-	-	(2,498)	(2,498)
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	(2,498)	(2,498)
Transactions with owners								
Ordinary shares issued pursuant to bonus issue	10	265,903	-	-	(265,903)	-	-	-
Par value reduction	10	(354,675)	-	-	354,675	-	-	-
Fair value on additional warrants issued pursuant to bonus issue of shares		-	-	-	-	57	(57)	-
Total transactions with owners		(88,772)	-	-	88,772	57	(57)	-
Balance at 31 December 2016		157,909	(1)	15,087	578,218	24,032	50,413	825,658

STATEMENT OF CHANGES IN EQUITY
 (CONT'D)

Company	[----- Non-distributable -----]				Distributable		Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Warrant reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2017	157,909	(1)	15,087	578,218	24,032	50,413	825,658
Loss for the financial year	-	-	-	-	-	(2,799)	(2,799)
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(2,799)	(2,799)
Transactions with owners							
Unexercised warrants lapsed	-	-	-	-	(24,032)	24,032	-
Total transactions with owners	-	-	-	-	(24,032)	24,032	-
Balance at 31 December 2017	157,909	(1)	15,087	578,218	-	71,646	822,859

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

STATEMENTS OF **CASH FLOWS**

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		24,851	11,270	(2,799)	(2,498)
Adjustments for:					
Amortisation of land use rights	5	1,218	1,217	–	–
Depreciation of property, plant and equipment	4	14,129	14,089	–	–
Interest expense		301	438	–	–
Interest income		(2,280)	(2,049)	–	–
Loss on disposal of property, plant and equipment		466	–	–	–
Property, plant and equipment written off	4	–	10	–	–
Unrealised gain on foreign exchange		–	(12)	–	(12)
Operating profit/(loss) before working capital changes		38,685	24,963	(2,799)	(2,510)
Changes in working capital:					
Inventories		1,279	(171)	–	–
Trade and other receivables		59,153	26,575	–	–
Trade and other payables		(23,220)	4,430	(986)	(366)
Cash generated from/(used in) operations		75,897	55,797	(3,785)	(2,876)
Income tax paid		(7,398)	(3,451)	–	–
Net cash from/(used in) operating activities		68,499	52,346	(3,785)	(2,876)
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayments from a subsidiary		–	–	3,799	2,860
Interest received		2,280	2,049	–	–
Proceeds from disposal of property, plant and equipment		11	–	–	–
Purchase of property, plant and equipment	4	(8,458)	(410)	–	–
Net cash (used in)/from investing activities		(6,167)	1,639	3,799	2,860

STATEMENTS OF CASH FLOWS
 (CONT'D)

	Note	Group		Company	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		5,000	10,000	–	–
Interest paid		(301)	(438)	–	–
Repayments of borrowings		(10,000)	(10,000)	–	–
Net cash used in financing activities		(5,301)	(438)	–	–
Net increase/(decrease) in cash and cash equivalents		57,031	53,547	14	(16)
Effect of changes in exchange rate		–	12	–	12
Cash and cash equivalents at beginning of financial year		562,208	508,649	12	16
Cash and cash equivalents at end of financial year	9	619,239	562,208	26	12

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 14)	
	Group RMB'000	Company RMB'000
At 1 January 2017	10,000	–
Cash flows	(5,000)	–
At 31 December 2017	5,000	–

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2017

1. CORPORATE INFORMATION

The Company (喜得狼控股有限公司) is incorporated in Bermuda under the Bermuda Companies Act as an exempt company limited by shares and registered as a foreign company in Malaysia under the Malaysian Companies Act 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 Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

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

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

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

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

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 70 to 104 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 27.1 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Factory buildings and warehouse RMB'000	Staff accommodation and amenities RMB'000	Infrastructure RMB'000	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fitting and other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Carrying amount									
At 1 January 2017	275,527	195,729	41,599	13,325	921	871	9,830	17,918	555,720
Additions	510	-	-	2,261	240	-	170	5,277	8,458
Disposal	-	-	-	(477)	-	-	-	-	(477)
Depreciation charge for the financial year	(6,080)	(4,318)	(918)	(1,701)	(119)	(158)	(835)	-	(14,129)
At 31 December 2017	269,957	191,411	40,681	13,408	1,042	713	9,165	23,195	549,572
At 31 December 2017									
Cost	299,336	212,279	45,116	20,862	1,742	1,754	12,645	23,195	616,929
Accumulated depreciation	(29,379)	(20,868)	(4,435)	(7,454)	(700)	(1,041)	(3,480)	-	(67,357)
Carrying amount	269,957	191,411	40,681	13,408	1,042	713	9,165	23,195	549,572

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

Group	Factory buildings and warehouse RMB'000	Staff accommodation and amenities RMB'000	Infrastructure RMB'000	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fitting and other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Carrying amount									
At 1 January 2016	281,605	200,046	42,516	14,661	1,002	1,029	10,632	17,918	569,409
Additions	-	-	-	350	30	-	30	-	410
Written off	-	-	-	(10)	-	-	-	-	(10)
Depreciation charge for the financial year	(6,078)	(4,317)	(917)	(1,676)	(111)	(158)	(832)	-	(14,089)
At 31 December 2016	275,527	195,729	41,599	13,325	921	871	9,830	17,918	555,720
At 31 December 2016									
Cost	298,826	212,279	45,116	19,235	1,501	1,754	12,475	17,918	609,104
Accumulated depreciation	(23,299)	(16,550)	(3,517)	(5,910)	(580)	(883)	(2,645)	-	(53,384)
Carrying amount	275,527	195,729	41,599	13,325	921	871	9,830	17,918	555,720

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

- (b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industries within which the Group operates. The principal annual depreciation rates are as follows:

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

Construction-in-progress represents construction costs incurred for the corporate office and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

- (c) At the end of the reporting period, factory buildings and warehouse, staff accommodation and amenities, infrastructure and construction-in-progress with total carrying amounts of RMB525,244,000 (2016: RMB530,773,000) have been charged to licensed banks for banking facilities granted to the Group.

5. LAND USE RIGHTS

	Group	
	2017 RMB'000	2016 RMB'000
At 1 January	49,113	50,330
Amortisation charge for the financial year	(1,218)	(1,217)
At 31 December	47,895	49,113
Cost	60,860	60,860
Accumulated amortisation	(12,965)	(11,747)
Carrying amount	47,895	49,113

- (a) Land use rights represent up-front payment to acquire long-term interests in the usage of land and are stated at cost less accumulated amortisation and impairment losses, if any.
- (b) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term.
- (c) The Group was granted land use rights for a period of fifty (50) years in relation to the lands situated in PRC.
- (d) During the financial year, land use rights with carrying amount of RMB42,912,000 (2016: RMB43,999,000) have been charged to licensed banks for the banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RMB'000	2016 RMB'000
Unquoted equity shares, at cost	194,712	194,712
Equity loan to a subsidiary	437,204	437,204
	631,916	631,916

- (a) Investments in subsidiaries are measured at cost.
- (b) 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.
- (c) The Directors of the Company assessed the nature of the amount owing by a subsidiary and determined a portion of the outstanding balance of the amount owing by a subsidiary amounting to RMB437,204,000 (2016: RMB437,204,000) 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:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2017	2016	
Hong Kong XinYuanChan International Holdings Co., Limited ("XinYuanChan") #	Hong Kong Special Administrative Region ("HKSAR")	100%	100%	Investment holding
Subsidiary of XinYuanChan				
HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HPFJ") #	PRC	100%	100%	Design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2017	2016	
Subsidiaries of HPFJ				
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("CDHP") #	PRC	100%	100%	Design, manufacturing and marketing of sports shoes
XiDeLang Sports Goods Co., Ltd. ("XDLSG") #	PRC	100%	100%	The registered scope of business under its business license is manufacturing of shoes and apparel. It is the registered owner of the proprietary of the Group "XiDeLang" brand

Subsidiaries not audited by BDO.

7. INVENTORIES

	Group	
	2017 RMB'000	2016 RMB'000
At cost		
Raw materials	2,738	2,880
Work-in-progress	1,959	2,735
Finished goods	1,374	1,735
	6,071	7,350

- (a) Cost of inventories is determined using the weighted average formula.
- (b) Cost of inventories of the Group recognised as an expense during the financial year amounted to RMB362,033,000 (2016: RMB341,372,000).

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Trade receivables				
Third parties	179,234	237,783	–	–
Other receivable				
Amount owing by a subsidiary	–	–	191,691	195,490
Total receivables	179,234	237,783	191,691	195,490
Prepayments	242	846	–	–
	179,476	238,629	191,691	195,490

- (a) Trade and other receivables exclude prepayments are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group is 120 days (2016: 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Amount owing by a subsidiary is unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (d) Trade and other receivables are denominated in RMB.
- (e) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	179,234	208,127
Past due, not impaired		
1 to 30 days	–	29,656
31 to 60 days	–	–
	–	29,656
	179,234	237,783

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

8. TRADE AND OTHER RECEIVABLES (CONT'D)

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

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

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

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

	2017 RMB'000	Group 2016 RMB'000
Counterparties without external credit ratings		
Group A	38,162	11,169
Group B	141,072	226,614
	179,234	237,783

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

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

- (g) The following shows the total amount due from the top ten (10) major customers as at the end of reporting period, which represents 35% (2016: 37%) of the total trade receivables. Other than as mentioned, the Group has no significant concentration of credit risk.

	2017 RMB'000	Group 2016 RMB'000
Trade receivables	62,329	87,926

- (h) The Company does not have any significant concentration of credit risk other than the amount owing by a subsidiary, which constitutes 100% (2016: 100%) of total receivables of the Company as at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

9. CASH AND BANK BALANCES

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Cash in hand	37	40	–	–
Cash at bank	619,202	562,168	26	12
	619,239	562,208	26	12

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

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Renminbi	619,213	562,187	–	–
Ringgit Malaysia	26	12	26	12
US Dollar	–	9	–	–
Hong Kong Dollar	–	*(1)	–	–
As per statements of financial position	619,239	562,208	26	12

*(1) Represent RMB80.

- (b) Cash at bank of the Group of RMB619,202,000 (2016: RMB562,168,000) are subject to weighted average interest rate of 0.30% (2016: 0.30%).
- (c) No sensitivity analysis for foreign currency risk is prepared at the end of the reporting period as the Group and the Company do not have significant exposure to foreign currency risk.
- (d) The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	Group	
	2017 RMB'000	2016 RMB'000
Profit after tax		
- Increase by 0.1% (2016: 0.1%)	471	427
- Decrease by 0.1% (2016: 0.1%)	(471)	(427)

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

10. SHARE CAPITAL

	Number of shares '000	Group and Company				2016	
		2017 USD'000	RMB'000	Number of shares '000		USD'000	RMB'000
Ordinary shares of USD0.04/ USD0.01 each:							
Authorised ordinary shares	7,500,000	300,000	1,828,467	30,000,000	300,000	1,828,467	
Issued and fully paid ordinary shares:							
Balance as at 1 January	2,695,482	26,955	157,909	1,347,740	40,432	246,681	
Transfer to capital redemption reserve pursuant to par value reduction	-	-	-	-	(53,909)	(354,675)	
Issuance pursuant to:							
- warrants	-	-	-	3	-	-	
- bonus issue	-	-	-	1,347,739	40,432	265,903	
Consolidate pursuant to:							
- share consolidation	(2,021,611)	-	-	-	-	-	
Balance as at 31 December	673,871	26,955	157,909	2,695,482	26,955	157,909	

- (a) During the financial year, the Company completed a share consolidation of every four (4) XDL ordinary shares of par value USD0.01 each in the authorised and issued capital of XDL into one (1) ordinary share of par value USD0.04 each. As a consequence:
- (i) the number of the issued and paid-up share capital of the Company was decreased from 2,695,482,154 ordinary shares (including 1,000 shares held as treasury shares) to 673,870,538 ordinary shares (inclusive 250 Consolidated Shares held as treasury shares); and
 - (ii) the warrant 2015/2018 was adjusted from 881,236,448 at an exercise price of RM0.04 to 220,309,112 at an exercise price of RM0.16.
- (b) In the previous financial year, the Company completed a par value reduction exercise pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda to reduce the par value of the issued and paid-up share capital of the Company comprising 2,695,478,822 ordinary shares of USD0.03 each to USD0.01 each. As a consequence, the issued and paid up capital of the Company was decreased from RMB512,583,844 to RMB157,908,610.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

10. SHARE CAPITAL (CONT'D)

- (c) In the previous financial year, the issued and paid-up share capital of the Company was decreased from RMB246,680,877 to RMB157,908,832 by way of:
- (i) bonus issue of 1,347,738,911 new ordinary shares of USD0.03 each ("Bonus Shares") on the basis of one (1) Bonus Shares for every one (1) existing ordinary shares held;
 - (ii) par value reduction via cancellation of USD0.02 of the par value of every existing issued and unissued share of USD0.03; and
 - (iii) issuance of 3,332 new ordinary shares of USD0.01 each for cash vide the exercise of 3,332 detachable Warrants 2015/2018 at exercise price of RM0.04 per warrant on the basis of one (1) new ordinary share for every one (1) warrant exercised.
- (d) The owners of the parent are entitled to receive dividend as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

11. RESERVES

	Note	Group		Company	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Non-distributable:					
Treasury shares	(a)	(1)	(1)	(1)	(1)
Share premium	(b)	15,087	15,087	15,087	15,087
Capital redemption reserve	(c)	578,218	578,218	578,218	578,218
Warrant reserve	(d)	–	24,032	–	24,032
Statutory surplus reserve	(e)	40,074	37,889	–	–
Merger deficit	(f)	(204,906)	(204,906)	–	–
Exchange translation reserve	(g)	33,401	33,401	–	–
Distributable:					
Retained earnings		647,401	608,967	71,646	50,413
		1,109,274	1,092,687	664,950	667,749

- (a) Treasury shares

On 26 August 2010, the Company repurchased 1,000 units of its issued shares from the open market at an average price of RM0.48 per share. The repurchased shares were financed by internally generated fund. The shares repurchased are being held as treasury shares.

Pursuant to the Share Consolidation on 18 May 2017, the Company issued 250 Consolidated Treasury Shares to Shareholders.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

11. RESERVES (CONT'D)

(b) Share premium

Share premium arose from the proceeds in excess of the nominal value of shares issued from exercised of Employees' Share Option Scheme.

(c) 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.

(d) Warrant reserve

Warrant reserve represents the fair value assigned to the Warrants 2014/2017 of RM0.0002. The fair value was determined using the Black-Scholes-Merton option pricing model.

The warrant reserve would be transferred to the share premium account upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrants would be transferred to retained earnings.

The salient features of the Warrants 2014/2017 are as follows:

- (i) Each Warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, subject to adjustment in accordance with the provision of the Deed Poll;
- (ii) The exercise price of each warrant has been fixed at RM0.06, subject to adjustment under certain circumstances in accordance with the provision of the Deed Poll; and
- (iii) The Warrants shall be exercisable at any time within a period of three (3) years including and commencing from the issue date up to the expiry date.

The unexercised Warrants 2014/2017 lapsed and expired on 20 January 2017. Accordingly, the warrant reserve arose from Warrants 2014/2017 was transferred to retained earnings upon expiry of the warrants.

As at 31 December 2017, unexercised warrants of the Company are as follows:

Warrants	Date issued	Exercise price RM	No. of warrants over ordinary shares '000	Warrant expiry date
Warrants 2015/2018	9 July 2015	0.16	110,155	2 July 2018
	28 January 2016	0.16	110,154	2 July 2018

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

11. RESERVES (CONT'D)

(e) Statutory surplus reserve

Pursuant to applicable PRC regulations, the subsidiaries of the Company incorporated in PRC are required to allocate 10% of their net profit for the financial year (after offsetting prior financial year losses, if any) to the statutory surplus reserve until it reaches 50% of their registered capital respectively. The transfer to the reserve must be made before distribution of dividend to equity holders. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the respective subsidiaries, provided that the balance after such issue is not less than 25% of its registered capital.

(f) Merger deficit

The merger deficit arose from the merger of XinYuanChan based on the difference between the amount recorded as cost of merger, which comprised the share capital issued by the Company of USD30,000,000 (RMB204,915,000), and the nominal value of XinYuanChan's share capital merged under the pooling of interest method of accounting as follows:

	Group RMB'000
Cost of merger	204,915
Less: Share capital of XinYuanChan (HKD10,000)	(9)
Merger deficit	204,906

(g) Exchange translation reserve

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

12. DEFERRED TAX LIABILITIES

The deferred tax liabilities of the Group are made up of the following:

	Taxable temporary differences RMB'000	Total RMB'000
Balance as at 1 January 2017	20,044	20,044
Recognised in profit or loss (Note 17)	983	983
Balance as at 31 December 2017	21,027	21,027
Balance as at 1 January 2016	19,546	19,546
Recognised in profit or loss (Note 17)	498	498
Balance as at 31 December 2016	20,044	20,044

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

12. DEFERRED TAX LIABILITIES (CONT'D)

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, 10% of the dividend.

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

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Trade payables				
Third parties	83,076	101,753	-	-
Other payables and accruals				
Amount owing to a Director	104	555	-	450
Other payables	11,798	13,240	-	-
Accruals	15,737	18,387	774	1,310
	27,639	32,182	774	1,760
	110,715	133,935	774	1,760

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit term granted to the Group is 120 days (2016: 120 days).
- (c) Amount owing to a Director represents advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

13. TRADE AND OTHER PAYABLES (CONT'D)

(d) The currency exposure profiles of payables are as follows:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Renminbi	110,218	132,439	277	264
Ringgit Malaysia	497	1,496	497	1,496
	110,715	133,935	774	1,760

(e) The table below summarises the maturity profile of the trade and other payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
31 December 2017	110,715	–	–	110,715
31 December 2016	133,935	–	–	133,935
Company				
31 December 2017	774	–	–	774
31 December 2016	1,760	–	–	1,760

(f) No sensitivity analysis for foreign currency risk is prepared at the end of the reporting period as the Group and the Company do not have significant exposure to foreign currency risk.

14. BORROWINGS

	Group	
	2017 RMB'000	2016 RMB'000
Secured		
Short term bank loans	5,000	10,000

(a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

14. BORROWINGS (CONT'D)

- (b) The short term bank loans are secured by factory buildings and warehouse, infrastructure and land use rights with carrying amount of RMB269,449,000 (2016: RMB275,527,000), RMB20,341,000 (2016: RMB20,800,000) and RMB20,576,000 (2016: RMB21,097,000) respectively are subject to weighted average interest rates of 4.62% (2016: 4.84%).
- (c) On 28 September 2013, the Group obtained a 6-year term loan facility amounting to RMB130,000,000 from a bank. The term loan facility is secured by factory buildings and warehouse, infrastructure and land use rights with carrying amount of RMB269,449,000 (2016: RMB275,527,000), RMB20,341,000 (2016: RMB20,800,000) and RMB20,576,000 (2016: RMB21,097,000) respectively. The credit facility has yet to be utilised as at the end of the reporting period.
- (d) On 10 September 2014, the Group obtained credit facilities from a bank up to RMB96,270,000. The credit facilities are secured by staff accommodation and amenities, infrastructure, construction-in-progress and land use rights with carrying amount of RMB191,410,000 (2016: RMB195,729,000), RMB20,340,000 (2016: RMB20,799,000), RMB23,195,000 (2016: RMB17,918,000) and RMB22,336,000 (2016: RMB22,902,000) respectively. The credit facilities have yet to be utilised as at the end of the reporting period.
- (e) The table below summarises the maturity profile of the borrowing at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
31 December 2017	5,000	–	–	5,000
31 December 2016	10,000	–	–	10,000

- (f) The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	Group	
	2017 RMB'000	2016 RMB'000
Profit after tax		
- Increase by 0.1% (2016: 0.1%)	(4)	(8)
- Decrease by 0.1% (2016: 0.1%)	4	8

- (g) All borrowings are denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

15. REVENUE

	Group	
	2017	2016
	RMB'000	RMB'000
Sales of goods	542,422	503,834

(a) Sale of goods

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

(b) Interest income

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

16. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(Loss) before tax is arrived at after charging:				
Auditors' remuneration:				
- statutory audits				
- current year	551	524	465	434
- under/(over) provision in prior years	2	(5)	-	-
- other services	117	206	117	206
Interest expense on bank borrowings	301	438	-	-
And crediting:				
Interest income	2,280	2,049	-	-

17. TAX EXPENSE

	Group	
	2017	2016
	RMB'000	RMB'000
Current tax expense based on profit for the financial year		
- PRC income tax	7,281	3,838
Deferred tax (Note 12)		
Relating to origination and reversal of temporary differences	983	498
	8,264	4,336

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

17. TAX EXPENSE (CONT'D)

Tax expense for respective taxation authorities are calculated at the rates prevailing in those jurisdictions.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	2017 RMB'000	Group 2016 RMB'000
Profit before tax	24,851	11,270
Tax at the domestic rates applicable to profits in the countries concerned	6,242	2,844
Tax effects in respect of:		
Income not subject to tax	(2)	(3)
Non-deductible expenses	675	631
Deferred tax assets not recognised	366	366
Withholding tax on undistributable profits of PRC subsidiaries	983	498
	8,264	4,336

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.

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2017 RMB'000	Group 2016 RMB'000
Unused tax losses		
- Expire by 31 December 2017	-	578
- Expire by 31 December 2018	4,664	4,664
- Expire by 31 December 2019	5,560	5,560
- Expire by 31 December 2020	783	783
- Expire by 31 December 2021	1,462	1,462
- Expire by 31 December 2022	1,462	-
	13,931	13,047

Deferred tax assets of a subsidiary have not been recognised in respect of these temporary differences as it is not probable that taxable profit of a subsidiary would be available against which the deductible temporary differences could be utilised.

The amounts and the availability of the unused tax losses to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authority.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

18. EMPLOYEE BENEFITS

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Wages, salaries and bonuses	74,673	67,927	494	567
Contributions to defined contribution plan	3,315	2,960	–	–
Other benefits	40	37	40	37
	78,028	70,924	534	604

(a) Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RMB2,820,000 (2016: RMB2,791,000).

(b) The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Directors' remunerations				
- fees	494	567	494	567
- salaries and other emoluments	2,860	2,828	40	37
	3,354	3,395	534	604
Other key management personnel				
- short term employee benefits	914	1,172	–	–
	4,268	4,567	534	604

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

19. EMPLOYEES SHARE OPTION SCHEME (“ESOS”)

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

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

20. RELATED PARTY DISCLOSURES

- (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 6 to the financial statements; and
 - (ii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Executive Directors of the Group.
- (b) Significant related party transaction
- There is no material related party transaction carried out by the Company during the financial year.
- (c) Compensation of key management personnel

The key management personnel comprise the Executive Directors of the Group and their remuneration during the financial year are disclosed in Note 18 to the financial statements.

The terms and conditions of the ESOS are detailed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

20. RELATED PARTY DISCLOSURES (CONT'D)

(d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

21. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital by reference to its indebtedness position. The strategy of the Group is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. As at the end of the reporting period, the gearing ratio of the Group (which is financial debts divided by total equity plus financial debts) is calculated as follows:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Borrowings	5,000	10,000	–	–
Trade and other payables	110,715	133,935	774	1,760
Total liabilities	115,715	143,935	774	1,760
Less: Cash and bank balances	(619,239)	(562,208)	(26)	(12)
Net (cash)/debt	(503,524)	(418,273)	748	1,748
Total equity	1,267,183	1,250,596	822,859	825,658
Net (cash)/debt	(503,524)	(418,273)	748	1,748
Total	763,659	832,323	823,607	827,406
Gearing ratio	*	*	0.1%	0.2%

* Gearing ratio is not presented as the Group is in net cash position as at 31 December 2017 and 31 December 2016.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million (RMB74.0 million). The Company has complied with this requirement for the financial year ended 31 December 2017.

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

22. EARNINGS PER SHARE

(a) Basic

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

	2017 RMB'000	Group 2016 RMB'000
Profit attributable to equity holders of the parent	16,587	6,934
Weighted average number of ordinary shares in issue (in '000)	2,695,482	1,347,740
Effect of bonus issue (in '000)	–	1,347,739
Effect of share consolidation (in '000)	(2,021,611)	(2,021,611)
Effect of bonus issue (in '000)	673,871	673,868
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share (in '000)	1,347,742	1,347,736
Basic earnings per ordinary share (RMB)	0.0123	0.0051

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

22. EARNINGS PER SHARE (CONT'D)

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that warrants are exercised at the beginning of the financial year.

	Group	
	2017	2016
	RMB'000	RMB'000
Profit attributable to equity holders of the parent	16,587	6,934
Weighted average number of ordinary shares in issue (in '000)	673,871	673,869
Effect of dilution due to:		
- warrant (in '000)	220,309	- ^{*(1)}
- shares that would have been issued at average market price ('000)	(136,745)	- ^{*(1)}
	757,435	673,869
Effect of bonus issue (in '000)	757,435	673,869
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share (in '000)	1,514,870	1,347,738
Basic earnings per ordinary share (RMB)	0.0109	0.0051

^{*(1)} *the diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.*

23. OPERATING SEGMENTS

The activities of the Group are predominantly in designing, manufacturing and marketing of sports shoes as well as designing and marketing of sports apparel, accessories and equipment within PRC. The operations of the Group are concentrated in Jinjiang City, Fujian Province of PRC, which represents its principal place of business and in which the assets and liabilities of the Group is located.

Due to the similarities in the business operations between the two operating subsidiaries in PRC, the chief operating decision maker of the Group, the Chief Executive Officer ("CEO") of the Group in this context manages the operations within the Group as a whole in single segment and relies on internal reports which are similar to those currently disclosed externally to make decisions about allocation of resources.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

23. OPERATING SEGMENTS (CONT'D)

The Group evaluates performance on the basis of revenue from operation. The analysis is as follows:

	Own branding manufacturer RMB'000	Original design manufacturer RMB'000	Other RMB'000	Total RMB'000
2017				
Revenue	346,912	195,510	–	542,422
Interest income	2,273	7	–	2,280
Finance cost	(301)	–	*(1)	(301)
Net finance income	1,972	7	*(1)	1,979
2016				
Revenue	350,496	153,338	–	503,834
Interest income	1,996	53	*(2)	2,049
Finance cost	(438)	–	–	(438)
Net finance income	1,558	53	*(2)	1,611

*(1) Represent RMB140.

*(2) Represent RMB123.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

23. OPERATING SEGMENTS (CONT'D)

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

Revenue by region

During the financial year, the Group derived all of its revenue from PRC. In view of the vast geographical areas within PRC, customers can be stratified on a regional basis within PRC. The following is an analysis of the revenue of the Group by region by location of customers, irrespective of the origin of the goods/services:

	Revenue by region	
	2017	2016
	RMB'000	RMB'000
Within PRC:		
- Eastern region	25,173	24,501
- Southern region	297,803	256,271
- Western region	122,522	124,173
- Northern region	96,924	98,889
	542,422	503,834

In this context, the regions are grouped in the following manner by the Group:

- Eastern region includes Jiangsu and Shandong.
- Southern region includes Fujian, Hubei, Hunan, Jiangxi and Anhui.
- Western region includes Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang and Shaanxi.
- Northern region includes Beijing, Henan, Heilongjiang, Liaoning, Shanxi and Jilin.

Revenue by products

The following is an analysis of the revenue of the Group by products:

	Revenue by products	
	2017	2016
	RMB'000	RMB'000
Sports shoes	542,422	484,349
Sports apparel, accessories and equipment	-	19,485
	542,422	503,834

The Group does not have significant reliance on a single major customer, with whom the Group transacted ten percent (10%) or more of its revenue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

24. CAPITAL COMMITMENT

	2017 RMB'000	Group 2016 RMB'000
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	31,789	40,248

25. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 18 May 2017, the Company announced that a share consolidation of every four (4) XDL ordinary shares of par value USD0.01 each in the authorised and issued capital of XDL into one (1) ordinary share of par value USD0.04 each. As a consequence of Share Consolidation:

- a) the number of issued and paid up capital of the Company was decreased from 2,695,482,154 ordinary shares to 673,870,538 ordinary shares.
- b) warrant 2015/2018 was adjusted from 881,236,448 at an exercise price of RM0.04 to 220,309,112 at an exercise price of RM0.16.

26. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 11 January 2018, the Company announced that 676,153,620 new ordinary shares of USD0.04 each ("Bonus Share") were issued on the basis of one (1) Bonus Share for every one (1) existing ordinary share held by the entitled shareholders of the Company ("Bonus Issue"). As a consequence of the Bonus Issue, 218,025,780 additional Warrants 2015/2018 were issued, on the basis of one (1) Bonus Share for every one (1) existing ordinary share, pursuant to the Deed Poll dated 17 June 2015.
- (b) On 8 February 2018, the Company incorporated a new wholly-owned subsidiary in Malaysia, namely XiDeLang Network Technology Sdn. Bhd. ("XDLNT"). The total issued and paid up share capital of XDLNT is RM1.00 comprising of one (1) ordinary share.

The intended principal activity of XDLNT is to provide cloud services, internet marketing and E-commerce services.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs
27.1 New MFRS adopted during the financial year

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

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

27.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

LIST OF GROUP PROPERTIES

Location	Description	Existing/ Intended usage	Tenure/ Approximate age of the building	Land area/ Built-up area (square metres)	Net book value @ 31 December 2017 (RMB'000)
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (vacant)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	840	4,226
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	758
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	20,575
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	22,336
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) Age of the buildings:- Approximately 4 years	51,700/ 114,453	502,049
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Construction in progress	Stage-2 Design & Production Centre	Leasehold for 50 years (from 31.07.2007 to 25.06.2057)	16,000/ 52,000 (upon completion)	23,195

ANALYSIS OF SHAREHOLDINGS

As at 23 March 2018

Authorised Share Capital	:	USD300,000,000
Class of Shares	:	Ordinary shares of USD0.04 each
Voting Rights	:	One (1) vote per ordinary share

SHARE CAPITAL

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued capital
1 - 99	161	5.351	6,942	0.001
100 - 1,000	249	8.275	80,933	0.006
1,001 - 10,000	659	21.901	4,404,689	0.326
10,001 - 100,000	1,458	48.455	63,746,796	4.714
100,001 - 67,615,374 (*)	479	15.919	663,052,830	49.031
67,615,375 and above (**)	3	0.099	621,015,300	45.922
Total (***)	3,009	100.000	1,352,307,490	100.000

Remark:

- * Less than 5% of issued shares
- ** 5% & above of issued shares
- *** Excluding 250 treasury shares

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

	Direct Interest	
	No. of shares held	% of issued capital
HONGPENG INTERNATIONAL HOLDINGS LIMITED	450,000,000	33.276

DIRECTOR'S INTEREST

(As per Register of Director's Shareholdings)

Name of Director	Indirect Interest	
	No. of shares held	% of issued capital
Ding PengPeng [^]	450,000,000	33.276

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

ANALYSIS OF SHAREHOLDINGS
 (CONT'D)

**THIRTY LARGEST SHAREHOLDERS
 AS AT 23 MARCH 2018**

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	HONGPENG INTERNATIONAL HOLDINGS LIMITED	450,000,000	33.276
2	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	94,123,400	6.960
3	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	76,891,900	5.686
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAROL VUN ON NEI	44,513,600	3.292
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED	36,460,000	2.696
6	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	31,426,600	2.324
7	ZHANG TIANCAI	20,005,000	1.479
8	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN HUOMENG	20,000,000	1.479
9	M & A NOMINEE (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	19,150,000	1.416
10	LIN JINGBO	19,026,500	1.407
11	DING SHUWEI	18,900,238	1.398
12	DING HONGKE	18,900,000	1.398
13	DING SIZU	18,900,000	1.398
14	LIN JINGXUAN	18,900,000	1.398
15	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN JINGXUAN	18,020,100	1.333
16	DING CHAOHUI	18,000,000	1.331
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAROL VUN ON NEI	16,800,000	1.242
18	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR NOMURA PB NOMINEES LTD	15,135,400	1.119
19	DING MAOYUAN	14,424,000	1.067
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK KEONG	14,060,000	1.040
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK SIEW WEI	10,548,000	0.780
22	RHB NOMINEES (ASING) SDN BHD EXEMPT AN (BP) FOR RHB SECURITIES HONG KONG LIMITED A/C CLIENTS (RETAIL)	9,939,200	0.735
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GRACE VUN SIAW NEI	9,145,800	0.676
24	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGBHK-ASING)	6,833,332	0.505
25	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG JOO BAY	6,720,000	0.497

ANALYSIS OF SHAREHOLDINGS
 (CONT'D)

**THIRTY LARGEST SHAREHOLDERS (CONT'D)
 AS AT 23 MARCH 2018**

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
26	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMAD BOLHAIR BIN REDUAN	5,800,000	0.429
27	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	5,686,342	0.420
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHEN HONG	5,021,200	0.371
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH YOK TEK	4,500,000	0.333
30	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KIAN HUAT	4,479,200	0.331
TOTAL		1,052,309,812	77.816

ANALYSIS OF **WARRANTS HOLDINGS**

As at 2 April 2018

Total Warrants Issued – “Warrant C” : 436,051,560

WARRANT C

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	No. of holders	% of holders	No. of warrants held	% of issued warrants
1 - 99	985	36.147	40,151	0.009
100 - 1,000	297	10.899	121,661	0.028
1,001 - 10,000	822	30.165	3,981,356	0.913
10,001 - 100,000	517	18.973	16,683,048	3.826
100,001 - 21,802,577 (*)	101	3.706	87,363,872	20.035
21,802,578 and above (**)	3	0.110	327,861,472	75.189
Total	2,725	100.000	436,051,560	100.000

Remark:

* Less than 5% of issued warrants

** 5% & above of issued warrants

DIRECTOR'S INTEREST

None of the directors have any interest in the Warrant C.

ANALYSIS OF WARRANTS HOLDINGS
 (CONT'D)

**THIRTY LARGEST WARRANT HOLDERS
 AS AT 2 APRIL 2018**
WARRANT C

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR HONG KONG HONGSHENG INVESTMENT COMPANY LIMITED	155,999,998	35.776
2	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	129,147,274	29.617
3	DB (MALAYSIA) NOMINEE (ASING) SDN BHD	42,714,200	9.796
4	KONG KOK KEONG	9,935,700	2.279
5	RHB NOMINEES (ASING) SDN BHD EXEMPT AN (BP) FOR RHB SECURITIES HONG KONG LIMITED A/C CLIENTS (RETAIL)	7,807,350	1.790
6	M & A NOMINEE (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	7,758,500	1.779
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SEW CHING	6,636,632	1.522
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHEONG HO LENG	4,192,632	0.961
9	ANG YEW WAH	3,465,332	0.795
10	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR NOMURA PB NOMINEES LTD	3,260,000	0.748
11	SATHIEA SEELEAN A/L MANICKAM	3,000,000	0.688
12	LIN JINGBO	2,636,100	0.605
13	TANG MEE CHENG	2,223,100	0.510
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG)	1,971,500	0.452
15	HONG KONG HONGSHENG INVESTMENT COMPANY LIMITED	1,782,200	0.409
16	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HO AH CHAI	1,700,000	0.390
17	JOSHUA GOH WEN-HANN	1,500,000	0.344
18	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG QINGYUN	1,434,300	0.329
19	ANG CHUN WEI	1,379,900	0.316
20	NG LEE SAN	1,333,466	0.306
21	UNG ENG HUAT	1,333,332	0.306
22	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE KOK CHUAN	1,060,000	0.243
23	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY BOON KEE	900,000	0.206
24	LIM SWEE CHONG	833,332	0.191
25	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZHANG ZHIXIONG	703,332	0.161
26	XIANGFENG INTERNATIONAL HOLDINGS LIMITED	689,200	0.158
27	OOI TEE KIONG	611,150	0.140
28	PIONG YON WEE	609,000	0.140
29	MAGESWARY A/P SAMYNATHAN	600,000	0.138
30	GAN BEH BEE	575,800	0.132
TOTAL		397,793,330	91.227

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.