喜得狼®

XiDeLang Holdings Ltd

Annual Report
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS	
Ding LiHong Executive Chairman Non-Independent Director	**Zhu GuoHe** Senior Independent Non-Executive Director
Ding PengPeng Managing Director / Chief Executive Officer ("CEO") Non-Independent Director	**Wong Yoke Nyen** Independent Non-Executive Director
Ding PengWan Executive Director / Deputy CEO cum Chief Operating Officer Non-Independent Director	**Woon Yeow Thong** Independent Non-Executive Director
Lin YingYu Executive Director Non-Independent Director	

PRINCIPAL PLACE OF BUSINESS

Head Office & Production Centre

XiDeLang Industrial Park
Neikeng Town
Jinjiang City, Fujian Province
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Website: www.xidelang.com.my

COMPANY SECRETARIES

Secretarius Services Sdn. Bhd.

Conyers Corporate Services
(Bermuda) Limited
(Assistant Secretary)

AUDITORS

Russell Bedford LC & Company
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PRINCIPAL BANKERS

China

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

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

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

Malaysia

AmBank

STOCK EXCHANGE LISTING

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

FINANCIAL HIGHLIGHTS

KEY FINANCIAL DATA	[a] 2015 RMB'000	[a] 2016 RMB'000	[a] 2017 RMB'000	[a] 2018 RMB'000	[b] 2020 RMB'000
Revenue	544,812	503,834	542,422	454,259	626,567
Gross profit	103,193	83,928	92,900	86,807	152,229
Profit before tax	12,370	11,270	24,851	33,867	63,112
Net profit	6,798	6,934	16,587	21,991	34,593
Total assets	1,402,713	1,414,575	1,403,925	1,541,802	1,546,697
Total liabilities	159,051	163,979	136,742	132,946	103,248
Net current assets	643,469	665,807	690,743	848,075	902,582
Net assets / Shareholders' equity	1,243,662	1,250,596	1,267,183	1,408,856	1,443,449
Borrowings	10,000	10,000	5,000	12,400	12,400
KEY FINANCIAL INDICATORS	**[a] 2015 %**	**[a] 2016 %**	**[a] 2017 %**	**[a] 2018 %**	**[b] 2020 %**
Gross profit margin	18.94	16.66	17.13	19.11	24.30
Net profit margin	1.25	1.38	3.06	4.84	5.52
Borrowings-to-Equity	0.80	0.80	0.39	0.88	0.86
	('000 units)	**('000 units)**	**('000 units)**	**('000 units)**	**('000 units)**
Weighted average ordinary shares in issue ("WAOS") [c]	1,255,436	1,347,736	1,347,742	1,562,689	1,804,883
Adjusted number of ordinary shares outstanding ("Outstanding OS") [d]	1,347,740	1,347,741	1,347,742	1,804,883	1,804,883
	RMB cent	**RMB cent**	**RMB cent**	**RMB cent**	**RMB cent**
Basic earnings per share *(Based on WAOS)*	0.54	0.51	1.23	1.41	1.92
Net assets per share *(Based on Outstanding OS)*	92.28	92.79	94.02	78.18	79.97

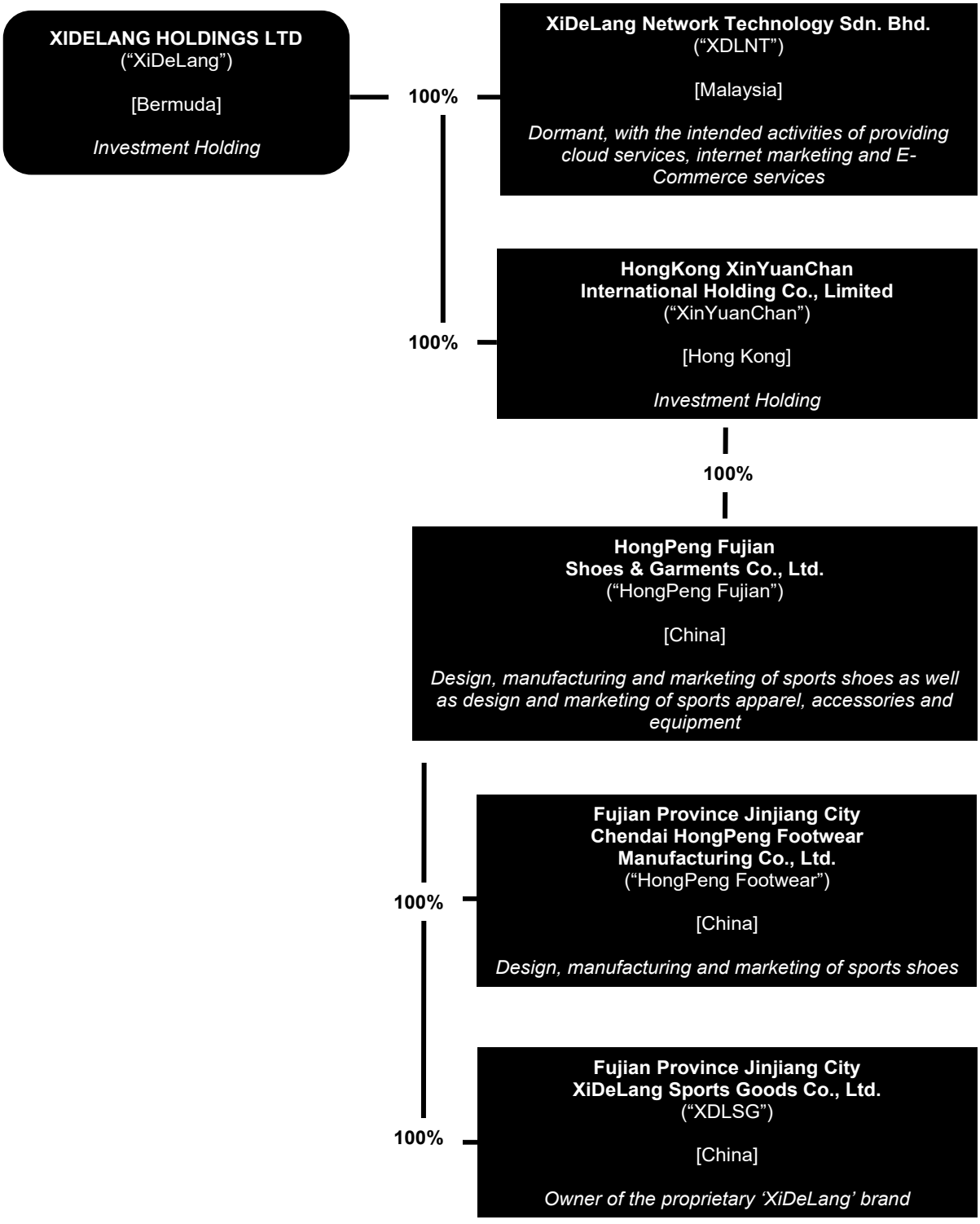
(a) For the financial year ended 31 December

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

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

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

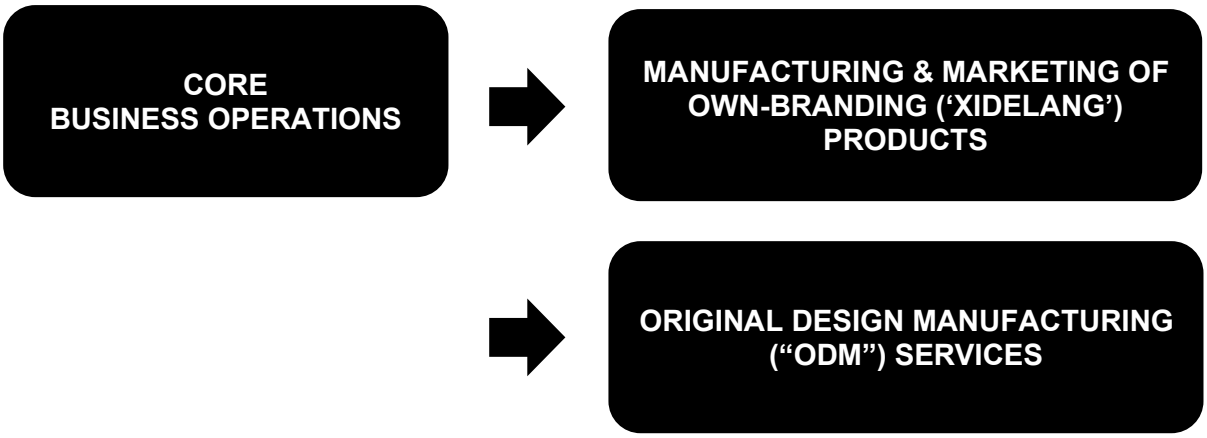
CORPORATE STRUCTURE



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.



Own-branding segment

- Objective:

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

- Targeted Customer:

  End-consumers, mass market in China.

- Distribution Channel:

  Primarily through the authorised distributors who are responsible to coordinate and manage the retail outlets across various cities in China.

  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".

- Focus and business strategies:

  (a) 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 across 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.

(b) 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.

(c) 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 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.

(d) 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.

ODM segment

- Objective:

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

- Targeted Customer:

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

- Distribution Channel:

Foreign trading / export companies and intermediaries based in China

- Focus and business strategies:

(a) Production and design capability and capacity

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.

PERFORMANCE REVIEW

	("FPE2020") 1.1.2019 to 30.6.2020 (RMB'000)	("FY2018") 1.1.2018 to 31.12.2018 (RMB'000)	Variance 2020 vs 2018 (%)
Total revenue	**626,567**	**454,259**	↑ 37.9
Analysis by business segment			
Own-branding segment – sports shoes	209,745	233,242	↓ 10.1
ODM segment – sports shoes	416,822	221,017	↑ 88.6
Gross profit ("GP")	**152,229**	**86,807**	↑ 75.4
GP margin	24.3%	19.1%	
Net profit ("PAT")	**34,593**	**21,991**	↑ 57.3
PAT margin (%)	5.5%	4.8%	

Due to the change of financial year end from 31 December to 30 June, the current financial period under review ended 30 June 2020 consist of 18 months' performance from 1 January 2019 to 30 June 2020. Accordingly, the performance and results for the FPE2020 are not directly comparable with those of the FY2018 which consist of 12 months' performance from 1 January 2018 to 31 December 2018.

(1) Revenue and Profitability

Our Group recorded total revenue of approximately RMB626.6 million for the FPE2020 (which translates into a monthly-average of approximately RMB34.8 million), as compared to RMB454.3 million for the FY2018, which translates into a monthly-average of approximately RMB37.9 million).

For the FPE2020, our Group experienced lower sales volume from the own-branding segment primarily due to interruption in market activities due to Covid-19 pandemic and intensified market competition within the China market.

In line with our Group's strategic alignment of business focus in prior years to expand the ODM segment, coupled with our Group's efforts to strengthen the production capability and capacity, our Group experienced healthy development for the ODM segment. For the FPE2020, our Group experienced increased and recurring orders from the ODM segment, contributing over 66.5% (FY2018: 48.7%) of our Group's total revenue for the financial period under review.

Backed by the relatively stable sales performance, our Group reported:

- GP of approximately RMB152.2 million for the FPE2020 (which translates into a monthly-average of approximately RMB8.5 million), as compared to RMB86.8 million for the FY2018 (which translates into a monthly-average of approximately RMB7.2 million). GP margin for the FPE2020 stood at 24.3% (FY2018: 19.1%), primarily attributable to active production cost control initiatives and reclassification of indirect overhead costs (namely, depreciation charges) from "cost of sales" to "administrative and other expenses" during the financial period under review; and

- PAT of approximately RMB34.6 million for the FPE2020 (which translates into a monthly-average of approximately RMB1.9 million), as compared to RMB22.0 million for the FY2018 (which translates into a monthly-average of approximately RMB1.8 million). PAT margin for the FPE2020 remained relatively stable at 5.5% (FY2018: 4.8%).

(2) Financial Position

	As at 30.6.2020 (RMB'000)	As at 31.12.2018 (RMB'000)	Variance (%)
▪ Total assets	1,546,697	1,541,802	↑ 0.3
▪ Total liabilities	103,248	132,946	↓ 22.3
▪ Net assets / Shareholders' equity	1,443,449	1,408,856	↑ 2.5
▪ Net current assets	902,582	848,075	↑ 6.4
Financial ratios			
▪ Quick ratio (1)	1,238.5%	864.5%	
▪ Debt-to-equity ratio (2)	7.2%	9.4%	

(1) *Formula: (Cash and cash equivalents + Receivables) / Current liabilities*

(2) *Formula: Total liabilities / Shareholders' equity*

Backed by the stable financial performance during the FPE2020, our Group's financial position as of 30 June 2020 remained relatively healthy and strong.

(3) Liquidity

Working Capital Turnover Days	1.1.2019 to 30.6.2020 (Days)	1.1.2018 to 31.12.2018 (Days)
▪ Inventories (1)	3	2
▪ Trade receivables (2)	101	121
▪ Trade payables (3)	(49)	(69)
Net working capital turnover days	**55**	**54**

(1) *Formula: Inventories / Cost of sales x 547 days (FPE2020) or 365 days (FY2018)*

(2) *Formula: Trade receivables / Revenue x 547 days (FPE2020) or 365 days (FY2018)*

(3) *Formula: Trade payables / Cost of sales x 547 days (FPE2020) or 365 days (FY2018)*

The net working capital turnover days remained relatively healthy for the financial period under review, stood at 55 days (FY2018: 54 days), in line with our Group's prudent working capital management.

(4) Capital Requirements, Structure & Resources

	RMB'000
Cash and cash equivalents as at 30 June 2020	862,064
Less:	
- Net proceeds from renounceable rights issues exercise completed on 27 January 2014	(151,246)
- Borrowings as at 30 June 2020	(12,400)
- Capital commitment as at 30 June 2020	(31,142)
Cash and cash equivalents available for working capital and operational funding requirements as at 30 June 2020	**667,276**

As of 30 June 2020, our Group had sufficient cash reserves to fund the existing capital expenditure requirements, to settle the existing indebtedness and to carry out our day-to-day business operations. Although there is no immediate shortage in capital resources, our Group may, from time to time, assess the need for additional fund-raising to meet future capital expenditure requirements while ensuring that our Group's financial and liquidity position remains healthy.

(5) Dividend Policy

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

The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of the Board, whilst any final dividend proposed is subject to our shareholders' approval.

In view of the economic uncertainties and the challenges caused by the Covid-19 pandemic, no dividend was proposed by our Group during the FPE2020 in order to preserve liquidity. This will give our Group's better positioning in handling future challenges and to tap into new opportunities where appropriate.

TREND & RISK FACTORS

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.

Known Trend

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

(i) Stepped up the efforts in securing additional ODM production orders, to diversify the revenue base of our Group;

(ii) Enhanced the sports shoes production capability and capacity of the Group, so that our Group is more flexible in accommodating to the changes in market demands;

(iii) 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; and

(iv) Adopted multi-channel marketing strategy, leveraging on third-party e-commerce platforms to promote brand awareness in addition to conventional television and radio advertisement.

Apart from intensifying market competition, our Group is also exposed to disruption in market activities during the financial period under review as a result of lock-down measures implemented globally by governments in attempts to contain the Covid-19 pandemic.

PROSPECTS

The first half of calendar year 2020 has so-far proved to be one rife with unprecedent challenges. The unresolved geopolitical tensions, coupled with the Covid-19 pandemic, continue to cast shadows over the global economy and create uncertainties over market activities.

Amid the uncertainties and challenges, our Group continues to seek opportunities to mitigate the adverse exposure and to create additional income stream. To this end, our Group has established a new-material technology division to focus on production of stylish, reusable and washable protective masks (particularly regular-use anti-dust protective masks). Our Group had, on 13 April 2020, entered into collaboration with Fujian BiTiChong Baby Products Co., Ltd. for this new venture, from whom our Group will source the necessary materials and technology for the production of stylish, reusable and washable protective masks. Relevant details were announced to Bursa Securities on 15 April 2020. The Board of Directors and Management are cautiously optimistic that by having this new-material technology division to focus on research and development and technological innovation of protective masks, our Group will be well-positioned to tap into the huge business opportunity with promising prospects. The demands for stylish, reusable and washable protective masks are anticipated to be huge and on rising trend even after the COVID-19 epidemic, as the lifestyle and daily hygienic habits of the general public are expected to change.

In addition to that, our Group had, on 3 June 2020, entered into an exclusive distribution agreement with Seacera Polymer Sdn Bhd to appoint Seacera as the exclusive distributor with the exclusive right to resell and distribute XDL's protective clothing products (non-medical purpose) in all states of Malaysia. Relevant details were announced to Bursa Securities on 3 June 2020, 5 June 2020 and 9 June 2020 respectively. As of the date of this report, our Group is still in the midst of applying for all the requisite approvals prescribed by the local authorities to commence production and commercialise the protective masks and protective clothing products.

Whilst the industry outlook for the near term is anticipated to experience certain degree of volatility, our Group's board of directors and management will continue to closely monitor the development and is committed take proactive and practical actions to safeguard the interests of our Group and our shareholders.

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 47 – 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 was elected as a Member of National Youth Chamber of Commerce, Vice President of Jinjiang Youth Chamber of Commerce, Member of the Twelfth Jinjiang Committee of the Chinese People's Political Consultative Conference (CPPCC), Standing Committee of the Youth Federation of Jinjiang, Standing Committee of Jinjiang Footwear Association, Standing Committee of Quanzhou Footwear Association, Honorary Chairman of Junior Chamber of Commerce of Chendai, Jinjiang, China, and Standing Committee of World Jinjiang Youth Association.

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

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

DING PENGPENG

(Male, aged 45 – 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 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".

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)

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, the Special Supervisory Agent (2014 – 2016) for the Chendai Police Station, Standing Committee Member of Jinjiang City Federation of Commerce and Industry, Honorary President of Chendai County Federation of Returned Overseas Chinese, Honorary President of Jinjiang City Chendai County Shoe Material Chamber of Commerce and Liaison Officer for Jinjiang City People's Procuratorate.

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

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

DING PENGWAN
(Female, aged 43 – 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.

LIN YINGYU
(Female, aged 42 – 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.

ZHU GUOHE

(Male, aged 50 – 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., 3610 (China) Co., Ltd., XiDeLang, Kangta and the Chinese Basketball Association. He has been instrumental in assisting to establish the 'XiDeLang' brand as well as other prominent sports brands in China.

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

He 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.

WONG YOKE NYEN

(Male, aged 61 – 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. 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 licensed corporate finance advisory services provider and is currently its Managing Director.

PROFILE OF THE BOARD OF DIRECTORS
(CONT'D)

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 is also an independent non-executive director of Export-Import Bank of Malaysia 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.

WOON YEOW THONG
(Male, aged 53 – 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

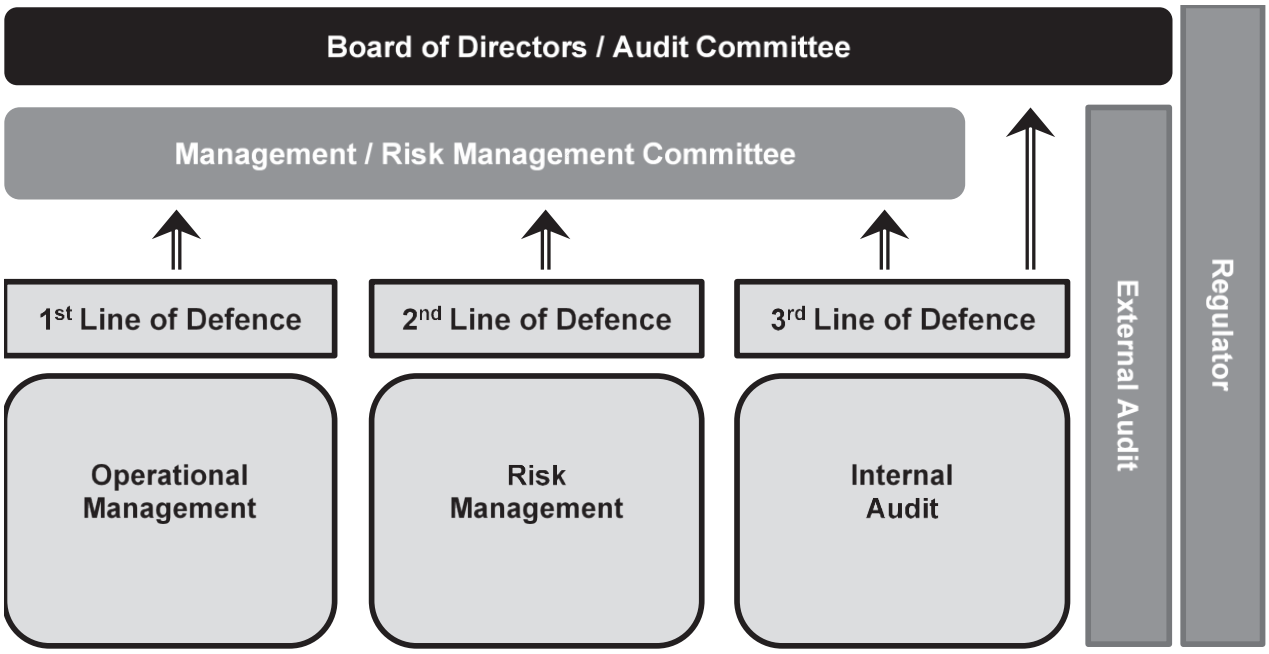
This Statement on Risk Management and Internal Control ("**Statement**") is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"), and has been prepared in accordance with guidelines set out in the *Statement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

BOARD'S RESPONSIBILITIES

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

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

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



- 1st Line of Defence

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

- 2nd Line of Defence

  The Board is assisted by the Management 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.

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

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

RISK MANAGEMENT

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

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 ("CEO")
- *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*

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

Principal risks	Key Risk Management Processes
▪ Non-recoverability of trade debts	✓ Periodic reconciliation of outstanding balance with customers, and continuous follow-up on amount exceeding credit term. ✓ Periodic review and monitoring of the trade receivables' ageing analysis.
▪ Unfavourable macro and industry-related regulations and policies	✓ 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.

Principal risks	Key Risk Management Processes
▪ The impact of global economic uncertainties on China's economy	✓ Maintain close monitoring on payments and collections. ✓ Assess the needs for expansion from time to time.
▪ Market competition and loss of customers	✓ Concentrate on sports shoes manufacturing, both own-branding and ODM segments. ✓ 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. ✓ 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. ✓ Continue to enhance the relationship with ODM customers and strengthen their confidence on the Group.
▪ Natural disaster / pandemic	✓ 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. ✓ Adhere to the standard operating procedures, directives and preventive measures promulgated by the local authorities to minimise the risk of exposure to pandemic

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.

INTERNAL CONTROL

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

Control Environment

- **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.

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

Control Environment (cont'd)

- **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.

- **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

- **Human resource management**

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

- **Code of ethics and conduct**

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

- **Whistle-blowing policy**

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

Control Activities

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

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

- **Insurance**

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

Monitoring

- **Periodic reporting and review**

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

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

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

INTERNAL AUDIT FUNCTION

An independent professional internal audit firm, YYC Advisors Sdn. Bhd. (*formerly known as Total Advisors Sdn. Bhd.*) has been engaged by the Company to carry out the internal audit function, to provide much of the assurance the Board requires regarding the adequacy, integrity and effectiveness of the internal control system of the Group.

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

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

The internal auditors' findings are circulated to the Audit Committee at their meetings. The internal audit 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 period under review is disclosed under the Audit Committee Report of this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

AAPG 3 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

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

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*; or

(b) is factually inaccurate.

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

CONCLUSION

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

The Board, after due consideration, is satisfied that that the risk management and internal control system in place for the financial period under review and up to the date of issuance of this Statement is adequate and effective to safeguard the Group's assets and the interests of shareholders.

This Statement is made in accordance with the resolution of the Board dated 26 October 2020.

AUDIT COMMITTEE REPORT

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

The Committee comprises three (3) members, all of whom are Independent Non-Executive Directors as disclosed below:

Name	Position
▪ Wong Yoke Nyen	*Chairman / Independent Non-Executive Director*
▪ Zhu GuoHe	*Member / Senior Independent Non-Executive Director*
▪ Woon Yeow Thong	*Member / Independent Non-Executive Director*

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

Duties and Responsibilities

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

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

(a) Risk Management and Internal Control

- Assist the Board in identifying the principal risks faced by the Company and its subsidiaries ("Group") and ensuring implementation of appropriate systems to manage these risks.
- Oversees the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company and its subsidiaries' ("Group") assets from misappropriation and encourage legal and regulatory compliance.
- Overall oversight responsibilities over 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.

(b) Financial Reporting

- Propose best practices on disclosure in interim financial reports and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.
- Review the interim and annual financial reports of the Company and of the Group, prior to the approval of the Board for announcement, focusing on:
  - Any changes in accounting policies and practices
  - Any significant adjustments arising from the audit
  - Any significant and unusual events
  - The appropriateness of the going concern assumption
  - Compliance with accounting standards and other legal requirements

AUDIT COMMITTEE REPORT
(CONT'D)

(c) External Audit

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

Attendance of Meetings

Committee Members	Attendance of Meetings
▪ Wong Yoke Nyen	7/7
▪ Zhu GuoHe	7/7
▪ Woon Yeow Thong	7/7

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

All the proceedings at the Committee meetings were properly 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.

Summary of Activities

During the financial period under review (1 January 2019 to 30 June 2020), the Committee had carried out the following activities in discharging its roles and responsibilities:

(i) Financial Reporting

- Reviewed the unaudited interim financial reports, before recommending them to the Board for approval and public announcement. In reviewing the unaudited interim financial results, the Committee had considered the following:
  - (i) The appropriateness of the basis of preparation, in particular, the accounting policies and practices adopted and applied as well as the impact of the new accounting standards that came into effect during the financial period ended 30 June 2020; and
  - (ii) 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 financial reports.

- Reviewed the annual audited financial statements, before recommending them to the Board for approval and public announcement. In reviewing the annual audited financial statements, the Committee had communicated with the External Auditors with particular focus on:

  (i) Compliance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, and other relevant legal and regulatory requirements; and

  (ii) Significant audit and accounting matters highlighted, significant judgements made by the Management in preparing the financial statements as well as significant events and/or transactions during the financial year/period under review; and how these matters were addressed.

  The review of the annual audited financial statements for the financial year ended 31 December 2018 was conducted in April 2019; whilst the review of the annual audited financial statements for the financial period ended 30 June 2020 was conducted subsequent to the period-end, in October 2020.

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

  The review of the Annual Report for the financial year ended 31 December 2018 was conducted in April 2019; whilst the review of the Annual Report for the financial period ended 30 June 2020 was conducted subsequent to the year-end, in October 2020.

(ii) Risk Management and Internal Control

- Reviewed the reports tabled by the Internal Auditors.

- Communicated with the Management on the Internal Auditors' findings to ensure that appropriate remedial actions and improved procedures are implemented. The Committee also obtained update on the status of implementation for past findings via follow-up review by the Internal Auditors.

- Assessed the independence, objectivity and competency of the Internal Auditors.

- Reviewed the minutes tabled by the Risk Management Committee.

(iii) External Audit

- Reviewed with the external auditors the results of the annual audit for the financial year ended 31 December 2018, the audit report, management letter including the management's responses thereto and the extent of compliance with legal and regulatory requirements.

- Noted that the former external auditors, Messrs Afrizan Tarmili Khairul Azhar had tendered resignation pursuant to the sanction imposed on them by the audit oversight board.

- Evaluated the proposal to change the Company's financial year end from 31 December to 30 June, the rationale for the proposed change and the ensuing impact as well as regulatory requirements, before making recommendation to the Board.

- Assessed the regulatory requirements for the appointment of new external auditors, and evaluated the candidates in terms of their experience, independence, objectivity and competency before making recommendation to the Board on the appointment of new external auditors, Messrs Russell Bedford LC & Company.

- Reviewed the audit plan for the financial period ended 30 June 2020.

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

- Subsequent to the year-end, in October 2020, reviewed with the External Auditors the results of the annual audit for the financial period ended 30 June 2020, the audit report and the extent of compliance with legal and regulatory requirements.

(iv) Other Matters

- 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 financial reports.

- Reviewed the related party transactions of the Group, to ensure that they are based on terms favourable to the Group. The Committee noted that there was no related party transaction being entered into by the Group during the financial period under review.

- Reviewed the litigation matters of the Group. The Committee noted that there was no outstanding/unresolved litigation matter involving the Group as of 30 June 2020.

- Reviewed the financial assistance provided by the Group. The Committee noted that there was no financial assistance provided by the Group to third parties during the financial period under review.

Internal Audit Function

The Company has outsourced the internal audit function to an independent external professional firm, namely YYC Advisors Sdn. Bhd. (*formerly known as Total Advisors Sdn. Bhd.*) ("the Internal Auditors").

The Internal Auditors report directly to the Committee. The primary role of the internal audit function is to review the adequacy and effectiveness of the Group's risk management and internal control system and this is performed with impartiality, proficiency and due professional care. Total costs incurred by the Group for internal audit activities, during the financial period ended 30 June 2020, amounted to approximately RM58,000.

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

During the financial period under review, the Internal Auditors had carried out independent review on the following areas:

(i) Regulatory compliance by the Group's operating subsidiaries. The Internal Auditors concluded that the overall internal control system in place to ensure regulatory compliance is sound, with no significant issue to be highlighted.

(ii) Contracts entered into by the Group's operating subsidiaries. The Internal Auditors concluded that the overall internal control system in place to ensure proper authorisation and monitoring of contracts entered into by the Group's operating subsidiaries is satisfactory, with one (1) matter being highlighted for enhancement.

(iii) Status of implementation for matters highlighted in previous reviews.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD COMPOSITION

The Board of Directors of the Company ("Board") consist of four (4) Executive Directors and three (3) Independent Non-Executive Directors. Members of the Board, and their respective attendance record for the Board meetings conducted during the financial period under review (1 January 2019 to 30 June 2020), are as follows:

Name	Designation	Attendance
Ding LiHong	Executive Chairman	8/8
Ding PengPeng	Managing Director / Chief Executive Officer ("CEO")	8/8
Ding PengWan	Executive Director / Deputy CEO cum Chief Operating Officer ("COO")	8/8
Lin YingYu	Executive Director	8/8
Zhu GuoHe	Senior Independent Non-Executive Director	8/8
Wong Yoke Nyen	Independent Non-Executive Director	8/8
Woon Yeow Thong	Independent Non-Executive Director	8/8

The Board takes note of the recommended practice 4.1 of the MCCG that at least half of the board shall comprise independent directors. Notwithstanding the deviation, the Board wishes to advise that there was no incidence of dominance by the Executive Directors over the matters deliberated at the Board meetings. The Board is in the midst of evaluating the feasible action plans for compliance with the recommended practice.

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.

2. BOARD CHARTER & CODE OF ETHICS AND CONDUCT

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

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.

3. BOARD RESPONSIBILITIES

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

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

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

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

Chairman	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.
Managing Director / CEO	o Perform executive management of our Group's business covering, inter alia, the development of a strategic plan / budget, performance benchmarks to gauge management performance and the analysis of management reports. o Ensure the effective implementation of our Group's strategic plan and policies established by the Board as well as managing the daily conduct of the business to ensure its smooth operations. o Effectively oversee the human resources of our Group with respect to key position in the corporate hierarchy. o Assure the Company that its corporate identity, products and services are of high standards and are reflective of the market environment. o Assess business opportunities which are of potential benefit to our Group. o Supervise heads of divisions and departments who are responsible for all functions contributing to the success of our Group. o Highlight material and other relevant matters to the Board's attention in a comprehensive and timely manner.

Deputy CEO	○ Provide assistance and support to the Managing Director / CEO to carry out his responsibilities. ○ To assume the role of CEO in the absence of Managing Director / CEO.
COO	○ Monitor and manage day-to-day operations of our Group and keeping the Managing Director / CEO aware with the significant events of our Group. ○ Ensure our Group's operations in line with the short and/or long-term strategic planning of our Group. ○ Communicate our Group's operational strategies and policies to the employees. ○ Evaluate our Group's performance and provide suggestions and solutions to improve/resolve identified issue(s).
Executive Director	○ Responsible for the day-to-day management and operations of the relevant divisions and functions within our Group.
Independent Non-Executive Directors	○ Responsible for providing unbiased, independent and professional views, advice and judgement, taking into consideration the interests of our Group and all its stakeholders. ○ 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.

4. APPOINTMENT & RE-ELECTION OF DIRECTORS

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

The selection and appointment of suitable candidates for the Board membership are conducted in systematic manner, which involve the following 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 Annual General Meeting ("AGM") provided always that all Directors shall retire from office at least once every three (3) years. Directors who are appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next AGM held following their appointments.

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

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

During the financial period ended 30 June 2020, our Group has three (3) female Executive Directors although 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 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.

The Board takes note of the recommended practice 4.2 of the MCCG 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 (12th) year, the Board should seek shareholders' approval through a two-tier voting process as set out in the MCCG.

The Board takes note of the step-up practice 4.3 of the MCCG that a policy limiting the tenure of an independent director to nine (9) years should be established. At this juncture, the Board does not intend to impose such restriction. The Board seeks to strike a balance between tenure of service and the benefits to our Group from the continuity of service of an independent director.

To-date, all three (3) existing Independent Non-Executive Directors of our Company have served for more than nine (9) years. The Board will carry out assessment on the suitability of our current Independent Non-Executive Directors before recommending them for re-election to the Board.

Factors that will be taken into consideration include, amongst others, the following:

- 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.

5. BOARD BALANCE AND TIME COMMITMENT

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

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

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

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

To ensure an effective and independent supervision, all the Independent Non-Executive Directors are required to be independent of the Management and major shareholders, and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

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.

6. ANNUAL ASSESSMENT

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

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

- In respect of Executive Directors

  (a) Knowledge and experience of the Group's operations and products;
  (b) Actual performance against business plan/budget;
  (c) Commitment towards good corporate governance and effective risk management and internal control systems;
  (d) Whether there are effective authority and approval limits in place;
  (e) Whether there is effective decision-making process in place, where all important factors (both quantitative and qualitative) are sufficiently deliberated;
  (f) Whether they promote healthy debate on issues and encourage participation by all Directors;
  (g) Commitment towards maintaining a healthy level of independence for the Board and ensuring that no board dominance by an individual or certain individuals; and
  (h) Shareholders' communication and investor relations' policies and programmes.

- In respect of 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.

7. BOARD COMMITTEES

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

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

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

Nomination Committee

Name	Designation	Attendance
Zhu GuoHe	Chairman	2/2
Woon Yeow Thong	Member	2/2
Wong Yoke Nyen	Member	2/2

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 period ended 30 June 2020, two (2) meetings were 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;
- Evaluated the Directors that shall retire pursuant to the Bye-Laws of the Company, and made recommendation for their re-election;
- Assessed the suitability for the continuation of services by the Independent Non-Executive Directors who have served for a cumulative tenure of nine (9) years;
- Evaluated the candidate proposed to be appointed as additional Independent Non-Executive Director, in line with the initiative of the Group to comply with the recommended practice 4.1 of the MCCG. Nevertheless, the proposed appointment did not take place as the Board is evaluating other alternative to ensure compliance with the recommended practice 4.1 of the MCCG.

The Nomination Committee members have abstained from deliberating and voting on matters related to themselves.

Remuneration Committee

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

Our Remuneration Committee comprises exclusively Independent Non-Executive Directors.

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

8. INFORMATION AND SUPPORT TO THE BOARD

Access to Information and Advice

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

Relevant information and agenda are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to solicit further explanations and/or information, where necessary, 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.

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.

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.

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

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

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

Name of Director	Title of Training Programmes
Wong Yoke Nyen	○ Malaysia Post GE 14's Trade and Foreign Policies: Impact on Malaysia Capital Market ○ Psychology of Investing: Victory Over Your Thoughts, Success is Yours! ○ Directors' Dealing in Securities & Insider Trading
Woon Yeow Thong	○ Raising Defenses: Section 17A, MACC Act

Other Directors have not been able to participate in structured training programme during the financial period under review due to work commitments as well as travel restriction caused by the Covid-19 pandemic. The Board takes cognisant of the importance for individual Directors to participate in structured training programmes from time to time, and will get the assistance from the Company Secretary to identify and recommend suitable structured training programme for the Directors' participation in the future.

Suitably Qualified and Competent Company Secretary

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

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

9. DIRECTORS' REMUNERATION

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

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

For Executive Directors

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

(i) The remuneration package shall take into consideration the individual performance, service seniority, experience and responsibilities of the individual Executive Directors; and align to the corporate performance particularly the profitability of the Group.

(ii) The remuneration package shall consist of both fixed element (annual salary) and variable element (bonus).

(iii) The remuneration package shall be competitive and comparable to the pay level offered by other companies within similar industry.

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

Details of the remuneration for each of the Executive Directors during the financial period ended 30 June 2020 are set out below:

	Salary RMB'000	Bonus RMB'000	Other Emolument RMB'000	Total RMB'000
Ding LiHong	847	500	16	1,363
Ding PengPeng	847	500	16	1,363
Ding PengWan	322	250	16	588
Lin YingYu	137	55	16	208
Grand Total	**2,153**	**1,305**	**64**	**3,522**

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

For Non-Executive Directors

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

(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 Non-Executive Directors during the financial period ended 30 June 2020 are set out below:

	Fees RMB'000	Allowance RMB'000	Total RMB'000
Zhu GuoHe	126	-	126
Wong Yoke Nyen	230	40	270
Woon Yeow Thong	230	40	270
Grand Total	**586**	**80**	**666**

Remark
The remuneration of the Non-Executive Directors are payable by the Company.

Apart from the abovementioned remuneration, the Company has also procured corporate liability insurance coverage for the Directors and officers the Company. The cost incurred is approximately RMB16,000.

10. SUCCESSION PLANNING

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

Continuity is also preserved at the Board level.

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

For the non-executive capacity, our Group presently has 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.

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	Attendance
Ding PengWan	Chairman	1/1
Lin YingYu	Member	1/1
Zhu GuoHe	Member	1/1
Ding Peng Peng	Member	-

The Board takes note of the step-up practice 9.3 of MCCG which advocates that the Risk Management Committee members should comprise a majority of independent directors. For the financial period under review, our Risk Management Committee consists of three (3) Executive Directors and one (1) Independent Non-Executive 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 that 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 impacts of principal risks have been measured, and appropriate internal controls identified, to ensure that they are maintained within acceptable and moderate level.

Further discussion on the risk management framework and internal control systems adopted by our Group, the principal risks faced by our Group and the processes put in place to monitor and manage the identified principal risks, the internal audit function and the review activities carried out during the financial period under review are set out in the Statement on Risk Management and Internal Control contained in this Annual Report.

3. RELATIONSHIP WITH AUDITORS

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

The Audit Committee had obtained assurance from the Group's external auditors confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The Audit Committee had reviewed the key members of the audit engagement team and none of them are connected to the director/major shareholders of the Group. The Audit Committee had also reviewed the fees paid or payable by the Group to the external auditors and was not aware of undue financial dependency.

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

1. COMMUNICATION WITH STAKEHOLDERS

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

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

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

While the Company strives to provide as much information as possible to its shareholders, stakeholders and general public, the Company upholds strict standards of confidentiality 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.

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 posting questions on the proposed resolutions and to seek clarification on our Group's business and performance. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

Poll Voting

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

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

3. INVESTOR RELATIONS

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

In addition to that, shareholders and the public may also contact the Company Secretary and/or the Company's Agent in Malaysia, the contact details of which have been set out under the Corporate Information section of this Annual Report, for assistance in conveying their queries and concerns to the 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.

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 period, the financial performance and cash flows of the Group for the financial period ended 30 June 2020.

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 during the financial period under review in the prescribed format issued by Bursa Securities.

The said corporate governance report shall be announced together with the Annual Report, and can be downloaded from the website of Bursa Securities at www.bursamalaysia.com (Company Announcements Section).

ADDITIONAL CORPORATE DISCLOSURES

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

Private placement and rights issue of warrants in 2012

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

(In RMB)		Intended Timeframe	Proposed Utilisation RMB'000	Actual Utilisation RMB'000	Deviation Amount RMB'000	Deviation %	
(i)	Purchase machinery and equipment for new design and production centre	Before 31.12.2021	53,670	41,196	12,474	23.2	N1
(ii)	Estimated expenses in relation to the corporate exercise	Immediate	1,107	1,107	-	-	
			54,777	42,303	12,474		

(In RM)		Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation Amount RM'000	Deviation %	
(i)	Purchase machinery and equipment for new design and production centre	Before 31.12.2021	29,100	23,162	5,938	20.4	#
(ii)	Estimated expenses in relation to the corporate exercise	Immediate	600	600	-	-	
			29,700	23,762	5,938		

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 2021.*

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

ADDITIONAL CORPORATE DISCLOSURES
(CONT'D)

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

(In RMB)		Intended Timeframe	Proposed Utilisation RMB'000	Actual Utilisation RMB'000	Deviation Amount RMB'000	Deviation %	
(i)	Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	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)		Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation Amount RM'000	Deviation %	
(i)	Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	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

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

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

There was no material contract (not being contract entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interests of the Directors, chief executive who is not a director or major shareholders; either still subsisting at the end of the financial period or entered into since the end of the previous financial period.

4. CONTRACT RELATING TO LOAN BY THE COMPANY

There was no contract relating to loan by the Company during the financial period under review.

5. RECURRENT RELATED PARTY TRANSACTIONS

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

6. EMPLOYEE SHARE SCHEME

An employee share option scheme ("ESOS") was approved by the shareholders at the Special General Meeting held on 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) yeas 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 period ended 30 June 2020, there is only one (1) ESOS in existence. The details of options granted under the ESOS since its establishment are as follows:

	[---------- ESOS ----------]		
Financial Year	**Granted**	**Exercised**	**Outstanding**
2015	198,224,000	198,224,000	-
2018	63,050,000	63,050,000	-

No options were granted to the following persons since the commencement of the ESOS and up to 30 June 2020:

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

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

7. INTERNAL AUDIT FUNCTION

The Company has outsourced the internal audit function to an independent external professional firm, namely YYC Advisors Sdn. Bhd. (*formerly known as Total Advisors Sdn. Bhd.*). Total costs of approximately RM58,000 were incurred by the Group during the financial period under review for internal audit activities

8. KEY MANAGEMENT PERSONNEL (OTHER THAN EXECUTIVE DIRECTORS)

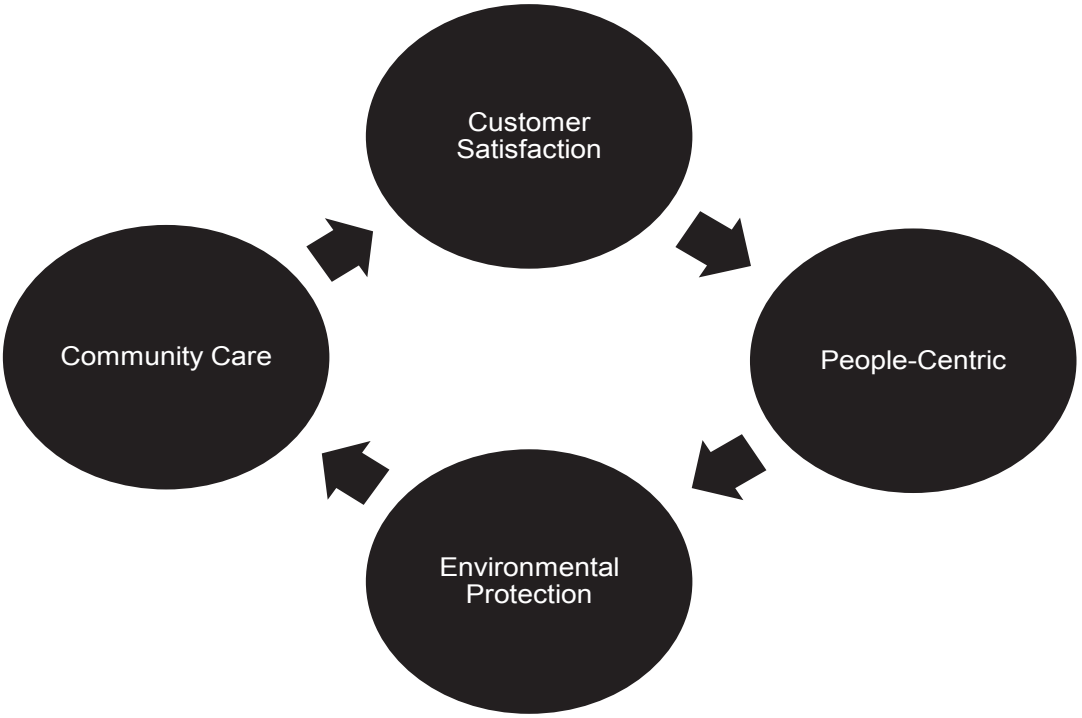
	Salary RMB'000	**Bonus RMB'000**	**Others RMB'000**	**Total RMB'000**
Ding QingYa	167	150	14	331
Zhuang QiongHua	168	150	16	334
Ding MaoFeng	55	-	4	59
Grand Total	**390**	**300**	**34**	**724**

The profiles of abovementioned key management personnel can be found on the Company's corporate website at www.xidelang.com.my. Ding MaoFeng had left the Group during the financial period under review.

SUSTAINABILITY STATEMENT

This Sustainability Statement describes how our Group addresses the sustainability matters 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, and presents the progress of strategies and practices implemented in managing the sustainability matters.

Our Group emphasises on the following core areas of sustainability:



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.

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:

- 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;
- Consumer spending sentiments and trends for the local market, as well as acceptance level of our products; and
- 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 period under review are summarised below:

Indicator	1.1.2018 to 31.12.2018	1.1.2019 to 30.6.2020
Customer base		
▪ Number of authorised distributors (own-branding)	23	23
▪ Number of transacted ODM customers	11	15
Total quantities sold (in '000 pairs)		
▪ Own-branding sports shoes	2,889	2,530
▪ ODM manufacturing of sports shoes	3,337	5,938
Trade payables turnover period (days)	69	49

The above quantitative indicators pointed towards that our Group has been able to maintain a continuing relationship with our authorised distributors and ODM customers; and that we uphold our payment obligations to the suppliers as evidenced by the trade payables turnover period which fell within the average credit period of 120 days extended to us by the suppliers.

SUSTAINABILITY STATEMENT
(CONT'D)

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:

- **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.

- **Sense of belonging**. We have established accommodation within the compound of our Group's headquarter and production centre, to ease the burdens of our employees particularly those from other provinces and to help them adapt to the local environment.

- **Personal development**. On-the-job training and guidance are provided to the employees, from time to time, as the need arises.

- **Remuneration**. Our Group strives to ensure that the remuneration package offered encompasses all the staff welfare and benefits as prescribed by the local authorities and applicable labour laws and regulations, and is in line with the market trend.

During the financial period under review, our Group did not experience any dispute with our employees although there were some staff turnover; nor any enforcement action or penalty by the local authorities associated with industrial relations; testimonial to our Group's continued efforts in this area of sustainability.

During the financial period 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 and festive celebration activities to enhance the bonding amongst the employees.

(ii) Orientation programmes for the new employees encompassing the following:
- Briefing on our Group's corporate cultures
- Briefing on internal rules and requirements applicable to our Group's operations
- Induction training on technical / production skills
- Briefing on emergency evacuation procedures and 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.

(iv) Caring and recognition initiatives, including but not limited to the following:
- Awards for outstanding performance
- Free medical check-up and counselling session
- Financial aids and scholarship
- Special arrangement on group procurement to assist employees in securing transport ticket to return home for celebration of Chinese New Year

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 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.

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

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

Indicator	1.1.2018 to 31.12.2018	1.1.2019 to 30.6.2020
Raw materials utilised (RMB'000)	289,332	379,703
Total revenue (RMB'000)	454,259	626,567
% of raw materials utilised over revenue	**63.7**	**60.6**

The above quantitative indicator pointed towards that there is no significant concern of wastage and pollution to the environment associated with our production operations during the financial period under review.

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 senior citizens and education environment (crucial element for the development of future generations). During the financial period under review, in collaboration with the local authorities, our Group had organised several visits to the senior citizens caring centres and schools. In conjunction with the visits, gifts and monetary donations were handed out as a gesture of appreciation and caring.

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Group and the Company for the financial period 1 January 2019 to 30 June 2020.

CHANGE OF FINANCIAL YEAR END

The Company changed its financial year end from 31 December to 30 June. Accordingly, the financial statements for the current financial period are drawn up for the period 1 January 2019 to 30 June 2020 or a period of eighteen months.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RMB'000	Company RMB'000
Net profit/(loss) for the financial period	34,593	(2,740)

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

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

WARRANTS

Warrants 2019/2022

On 25 January 2019, the Company listed and quoted 902,441,557 warrants (Warrants 2019/2022) pursuant to the bonus issue of 902,441,557 warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares of USD0.004 each in the Company.

The Warrants 2019/2022 were constituted by the Deed Pool dated 4 January 2019 ("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 RM0.18 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.

The Warrants will be expired on 17 January 2022.

The movements in the Company's Warrants 2019/2022 during the financial period are as follows:

		Entitlement for ordinary shares		
	Balance as at 1.1.2019	**Issued**	**Exercised**	**Balance as at 30.6.2020**
Number of unexercised warrants	–	902,441,557	–	902,441,557

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

DIRECTORS

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

Ding LiHong
Ding PengPeng
Ding PengWan
Wong Yoke Nyen
Zhu GuoHe
Woon Yeow Thong
Lin YingYu

DIRECTORS' INTERESTS IN SHARES

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

		Number of ordinary shares		
	Balance as at 1.1.2019	**Bought**	**Sold**	**Balance as at 30.6.2020**
Other shareholdings in which directors are deemed to have interests:				
Ding PengPeng	450,000,000	8,000,000	–	458,000,000

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

DIRECTORS' BENEFITS

Since the end of previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The details of the directors' remuneration are disclosed in Note 5 to the financial statements.

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

INDEMNITY AND INSURANCE

The total amount of indemnity insurance effected for directors of the Company for the financial period amounted to RM1,000,000 (any one claim and in annual aggregation). There was no indemnity given to or insurance effected for any officers and auditors of the Company during the financial period.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial period in which this report is made; and

(b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

OTHER STATUTORY INFORMATION (CONT'D)

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

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

SIGNIFICANT SUBSEQUENT EVENTS

Details of significant subsequent events are disclosed in Note 29 to the financial statements

AUDITORS

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

The auditors' remuneration for the Group and the Company is disclosed in Note 5 to the financial statements.

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

DING PENGWAN

LIN YINGYU

Dated: 26 October 2020

STATEMENT BY **DIRECTORS**

The directors of XIDELANG HOLDINGS LTD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the period 1 January 2019 to 30 June 2020.

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

DING PENGWAN **LIN YINGYU**

Dated: 26 October 2020

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 to the best of our knowledge and belief, the accompanying financial statements are correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of Notary Law of the People's Republic of China (2017 Amendment).

Subscribed and solemnly declared by the above named DING PENGWAN and LIN YINGYU at Fujian Province in the People's Republic of China }

DING PENGWAN

LIN YINGYU

Before me:

NOTARY PUBLIC

INDEPENDENT AUDITORS' REPORT

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

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and the Company as at 30 June 2020, and the related statements of comprehensive income, changes in equity and cash flows for period 1 January 2019 to 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2020, and of their financial performance and their cash flows for the period 1 January 2019 to 30 June 2020 in accordance with the Malaysian Financial Reporting Standards.

1.2 Basis for opinion

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

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

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

1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current reporting period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to report with respect to our audit of the financial statements of the Company.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

1.3 Key audit matters (Cont'd)

1.3.1 Expected credit loss of trade receivables

As disclosed in Note 14 to the financial statements, the net carrying amount of trade receivables of the Group was RMB115,476,000 as at 30 June 2020 and management has provided an expected credit loss of RMB812,000 during the reporting period.

The expected credit loss of trade receivables is a key audit matter in our audit as this involves significant management's estimates and judgements in relation to the Group's credit risk exposure.

How the matter was addressed in the audit

We performed the following audit procedures jointly with the component auditors:

- obtained understanding on the method adopted by the management to estimates the allowance of expected credit loss and tested the adequacy of the allowance of expected credit losses made by management through assessing the relevant assumptions and data applied in making the estimates;
- reviewed and verified the collections received subsequent to the reporting period to bank records; and
- assessed the adequacy of impairment assessment performed by management on overdue receivables with reference to their historical payment trends and aging profiles of the receivables.

We are satisfied with the results of our procedures performed.

1.3.2 Significant components not statutorily audited by us

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

As the Group auditor, we are ultimately responsible for rendering of audit opinion for the Group financial statements and also, we are responsible for directing, supervising and performing the Group audit.

How the matter was addressed in the audit

We have jointly performed a full scope audit with the component auditors in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing on the financial statements of the subsidiaries in PRC.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

1.4 Other information

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

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

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

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

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

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

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

1.6 Auditors' responsibilities for the audit of the financial statements

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

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

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

2. OTHER MATTER

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another firm of auditors whose report dated 18 April 2019 expressed an unqualified audit opinion.

3. ENGAGEMENT PARTNER

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

RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS

GAVIN FOO TUN XIANG
03405/12/2020 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Date: 26 October 2020

STATEMENTS OF **COMPREHENSIVE INCOME**

For the period 1 January 2019 to 30 June 2020

	Note	Group 1.1.2019 to 30.6.2020 RMB'000	Group 1.1.2018 to 31.12.2018 RMB'000	Company 1.1.2019 to 30.6.2020 RMB'000	Company 1.1.2018 to 31.12.2018 RMB'000
Revenue	4	626,567	454,259	–	–
Cost of sales		(474,338)	(367,452)	–	–
Gross profit		152,229	86,807	–	–
Other operating income		11	–	11	–
(Allowance for)/Reversal of expected credit losses - net		(812)	183	–	–
Selling and distribution expenses		(26,025)	(355)	–	–
Administrative expenses		(66,169)	(55,269)	(2,751)	(4,322)
Profit/(Loss) from operations	5	59,234	31,366	(2,740)	(4,322)
Finance income	6	4,822	2,731	–	–
Finance costs	7	(944)	(230)	–	–
Net finance income		3,878	2,501	–	–
Profit/(Loss) before tax		63,112	33,867	(2,740)	(4,322)
Income tax expense	8	(28,519)	(11,876)	–	–
Net profit/(loss)/Total comprehensive income/(loss) for the period/year		34,593	21,991	(2,740)	(4,322)
Basic earnings per share ('RMB')	9	0.0192	0.0141		

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

	Note	Group		Company	
		30.6.2020 RMB'000	31.12.2018 RMB'000	30.6.2020 RMB'000	31.12.2018 RMB'000
Non current assets					
Property, plant and equipment	10	520,333	536,377	–	–
Land use rights	11	44,852	46,678	–	–
Investment in subsidiaries	12	–	–	633,960	633,960
		565,185	583,055	633,960	633,960
Current assets					
Inventories	13	1,874	1,520	–	–
Trade receivables	14	115,476	149,907	–	–
Other receivables, deposits and prepayments	15	–	900	304,503	307,045
Tax recoverable		2,098	437	–	–
Cash and bank balances	16	862,064	805,983	8	17
		981,512	958,747	304,511	307,062
Total assets		1,546,697	1,541,802	938,471	941,022
Equity					
Share capital	17	452,534	452,534	452,534	452,534
Reserves	18	990,915	956,322	484,098	486,838
Total equity		1,443,449	1,408,856	936,632	939,372
Non current liabilities					
Deferred tax liabilities	19	24,318	22,274	–	–
		24,318	22,274	–	–
Current liabilities					
Trade payables	20	42,519	69,062	–	–
Other payables and accruals	21	23,871	29,210	1,839	1,650
Tax payable		140	–	–	–
Borrowings	22	12,400	12,400	–	–
		78,930	110,672	1,839	1,650
Total liabilities		103,248	132,946	1,839	1,650
Total equity and liabilities		1,546,697	1,541,802	938,471	941,022

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

STATEMENTS OF CHANGES IN EQUITY

For the period 1 January 2019 to 30 June 2020

	← Non-distributable reserve →								Distributable reserve	
Group	**Share capital RMB'000**	**Share premium RMB'000**	**Treasury shares RMB'000**	**ESOS reserve RMB'000**	**Capital redemption reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Merger deficit RMB'000**	**Foreign currency translation reserve RMB'000**	**Retained profits RMB'000**	**Total equity RMB'000**
At 1 January 2018	157,909	15,087	(1)	–	578,218	40,074	(204,906)	33,401	647,401	1,267,183
Effect of adoption of MFRS 9	–	–	–	–	–	–	–	–	(1,153)	(1,153)
At 1 January 2018 (restated)	157,909	15,087	(1)	–	578,218	40,074	(204,906)	33,401	646,248	1,266,030
Grant of ESOS	–	–	–	2,043	–	–	–	–	–	2,043
Issue of shares pursuant to										
- bonus issue	176,080	(15,087)	–	–	(160,993)	–	–	–	–	–
- exercise of warrants	101,315	–	–	–	–	–	–	–	–	101,315
- exercise of ESOS	17,230	2,290	–	(2,043)	–	–	–	–	–	17,477
	294,625	(12,797)	–	–	(160,993)	–	–	–	–	120,835
Net profit/Total comprehensive income for the year	–	–	–	–	–	–	–	–	21,991	21,991
Transfer	–	–	–	–	–	2,899	–	–	(2,899)	–
At 31 December 2018	452,534	2,290	(1)	–	417,225	42,973	(204,906)	33,401	665,340	1,408,856
Net profit/Total comprehensive income for the period	–	–	–	–	–	–	–	–	34,593	34,593
Transfer	–	–	–	–	–	6,304	–	–	(6,304)	–
At 30 June 2020	452,534	2,290	(1)	–	417,225	49,277	(204,906)	33,401	693,629	1,443,449

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		← Non-distributable reserve →				Distributable reserve	
Company	**Share capital RMB'000**	**Share premium RMB'000**	**Treasury shares RMB'000**	**ESOS reserve RMB'000**	**Capital redemption reserve RMB'000**	**Retained profits RMB'000**	**Total equity RMB'000**
At 1 January 2018	157,909	15,087	(1)	–	578,218	71,646	822,859
Grant of ESOS	–	–	–	2,043	–	–	2,043
Issue of shares pursuant to							
- bonus issue	176,080	(15,087)	–	–	(160,993)	–	–
- exercise of warrants	101,315	–	–	–	–	–	101,315
- exercise of ESOS	17,230	2,290	–	(2,043)	–	–	17,477
	294,625	(12,797)	–	(2,043)	(160,993)	–	118,792
Net loss/Total comprehensive loss for the year	–	–	–	–	–	(4,322)	(4,322)
At 31 December 2018	452,534	2,290	(1)	–	417,225	67,324	939,372
Net loss/Total comprehensive loss for the period	–	–	–	–	–	(2,740)	(2,740)
At 30 June 2020	452,534	2,290	(1)	–	417,225	64,584	936,632

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

STATEMENTS OF **CASH FLOWS**

For the period 1 January 2019 to 30 June 2020

	Group		Company	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Cash flows from/(used in) operating activities				
Profit/(Loss) before tax	63,112	33,867	(2,740)	(4,322)
Adjustments for:				
Allowance for expected credit losses	812	–	–	–
Depreciation and amortisation	23,671	15,460	–	–
Plant and equipment written off	22	–	–	–
Unrealised loss on foreign exchange	–	1,327	–	–
Interest expense	944	230	–	–
Interest income	(4,822)	(2,731)	–	–
Operating profit/(loss) before working capital changes	83,739	48,153	(2,740)	(4,322)
(Increase)/Decrease in inventories	(354)	4,551	–	–
Decrease in trade and other receivables	34,519	28,668	–	–
(Decrease)/Increase in trade and other payables	(31,882)	(12,880)	189	877
Cash from/(used in) operations	86,022	68,492	(2,551)	(3,445)
Income tax paid	(27,996)	(9,394)	–	–
Net cash from/(used in) operating activities	58,026	59,098	(2,551)	(3,445)
Cash flows from/(used in) investing activities				
Purchase of plant and equipment	(5,823)	(1,047)	–	–
Repayments from/(Advances to) a subsidiary	–	–	2,542	(115,356)
Interest received	4,822	2,731	–	–
Net cash (used in)/from investing activities	(1,001)	1,684	2,542	(115,356)
Cash flows from/(used in) financing activities				
Proceeds from issuance of shares	–	118,792	–	118,792
Proceed from term loan	12,400	12,400	–	–
Repayment from term loan	(12,400)	(5,000)	–	–
Interest paid	(944)	(230)	–	–
Net cash (used in)/from financing activities	(944)	125,962	–	118,792

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

STATEMENTS OF CASH FLOWS
(CONT'D)

	Group		Company	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Net increase/(decrease) in cash and cash equivalents	56,081	186,744	(9)	(9)
Cash and cash equivalents at beginning of period/year	805,983	619,239	17	26
Cash and cash equivalents at end of period/year	862,064	805,983	8	17
Cash and cash equivalents are represented by cash and bank balances	862,064	805,983	8	17

Reconciliation of liabilities arising from financing activities

	1.1.2019 RMB'000	Cash flows RMB'000	Non-cash changes RMB'000	30.6.2020 RMB'000
Group				
Term loan	12,400	–	–	12,400

	1.1.2018 RMB'000	Cash flows RMB'000	Non-cash changes RMB'000	31.12.2018 RMB'000
Group				
Term loan	5,000	7,400	–	12,400

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

1. GENERAL INFORMATION

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

The Company is incorporated in Bermuda under the Bermuda Companies Act as an exempt company limited by shares and registered as a foreign company in Malaysia under the Malaysian Companies Act 2016 and listed on the Main Market of Bursa Malaysia Securities Berhad.

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

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

The financial statements were approved and authorised for issue by the board of directors on 26 October 2020.

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

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2 Basis of preparation of the financial statements

2.2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised in Note 2.2.2.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies

Functional and presentation currency

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when combining entities first came under the control of the controlling parties until the date that such control ceases.

Subsequent acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the reporting periods in which the costs are incurred and the services are received.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as a financial asset depending on the level of influence retained.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies (Cont'd)

Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised only when it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the goods or services sold.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time.

The control over the goods or services is transferred over time and revenue is recognised over time if:

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies (Cont'd)

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

	30.6.2020 RMB	31.12.2018 RMB
Ringgit Malaysia ("RM")	1.67	1.66

Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expenses in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies (Cont'd)

Employee benefits (Cont'd)

(ii) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with the employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the share issuance scheme reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimates of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of the reporting period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertakings, with a corresponding credit to the share option scheme reserve.

The share option scheme reserve is transferred to share capital when the share options are exercised, or transferred to retained earnings upon expiry of the share options.

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies (Cont'd)

Impairment of non financial assets

The carrying amount of non financial assets subject to accounting for impairment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

No depreciation is provided on building under construction until the asset is ready for its intended use.

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

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

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies (Cont'd)

Land use rights

Land use rights represent up-front payments to acquire long-term interests in the usage of land and are stated at costs less accumulated amortisation and impairment losses, if any.

The land use rights are subsequently amortised using the straight-line basis over its lease term. The Group was granted land use rights for a period of fifty (50) years in relation to the lands situated in the People's Republic of China.

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company is exposed or has rights to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

Inventories

Inventories comprising raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost of inventories is determined on a weighted average basis. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in selling and distribution. Cost of raw materials comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Cost of work in progress and finished goods comprises the cost of raw materials used, direct labour and appropriate production overheads.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the reporting period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of the financial statements (Cont'd)

2.2.2 Significant accounting policies (Cont'd)

Financial instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

(i) Financial assets at amortised cost

A financial asset is classified at amortised cost if it meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows: and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(ii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

a) contingent consideration of an acquirer in a business combination;
b) financial guarantee contracts;
c) loan commitments;
d) designated at fair value through profit or loss; or
e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

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

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Expected credit losses

The Group recognises an allowance for expected credit losses ("ECL") on the financial assets at amortised cost.

ECL are generally based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECL are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2.2 Significant accounting policies (Cont'd)

Expected credit losses (Cont'd)

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised costs are deducted from the gross carrying amount of the assets.

Low credit risk

A financial instrument is determined to have low credit risk if:

a) the financial instrument has a low risk of default;
b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Significant increase in credit risk

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Definition of default

The Group considers a debt instrument to be in default when:

a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or
b) The financial asset is more than 90 days past due.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

2.2.2 Significant accounting policies (Cont'd)

Expected credit losses (Cont'd)

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

a) Significant financial difficulties of the debtor;
b) A breach of contract, such as a default or past due event;
c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Current versus non-current classification

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
b) Held primarily for the purpose of trading;
c) Expected to be realised within twelve months after the reporting period; or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

a) It is expected to be settled in the normal operating cycle;
b) It is held primarily for the purpose of trading;
c) It is due to be settled within twelve months after the reporting period; or
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(i) Measurement of ECL allowance

The ECL for trade receivables are estimated based on assumptions of future cash flows considering the risk and probability of default. The assumptions used in estimating future cash flows are determined using historical data and forward-looking information. The Group uses judgement in making these assumptions.

4. REVENUE

4.1 Disaggregation of revenue

	Group	
	1.1.2019 to 30.6.2020 RMB'000	**1.1.2018 to 31.12.2018 RMB'000**
Geographical region in People's Republic of China		
- Eastern region	15,286	15,342
- Southern region	477,509	288,723
- Western region	74,144	83,189
- Northern region	59,628	67,005
	626,567	454,259

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

- 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, Helongjiang, Liaoning, Shanxi and Jilin

4. REVENUE (CONT'D)

4.1 Disaggregation of revenue (Cont'd)

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Market segment		
Own branding manufacturer	209,745	233,242
Original design manufacturer	416,822	221,017
	626,567	454,259

4.2 Performance obligations

The Group manufactures and sells sport shoes. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 120 to 150 days from delivery. Revenue is recognised at the point in time.

4.3 Transaction price allocated to the remaining performance obligations

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

4.4 Financing components

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

5. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Profit/(Loss) from operations is arrived at after charging:				
Auditors' remuneration	650	428	472	288
Directors' remuneration other than fees	3,964	3,606	442	785
Plant and equipment written off	22	–	–	–
Research and development expenses	1,676	2,144	–	–

5. PROFIT/(LOSS) FROM OPERATIONS (CONT'D)

Staff costs comprise:

	Group		Company	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Social security contribution expenses	4,678	1,666	–	–
Salaries, bonus, allowances and overtime	95,272	61,668	442	785
Other employee related expenses	176	1,996	–	–
	100,126	65,330	442	785

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

	Group		Company	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Directors:				
- remuneration other than fees	3,964	3,606	442	785
Other key management:				
- remuneration other than fees	690	819	–	–
	4,654	4,425	442	785

6. FINANCE INCOME

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Interest income from bank accounts	4,822	2,731

7. FINANCE COSTS

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Interest expense on term loan	944	230

8. INCOME TAX EXPENSE

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Expected income tax payable		
- current period/year	(22,581)	(10,629)
- under provision in prior year	(3,894)	–
Deferred tax (Note 19)		
- current period/year	(2,044)	(1,247)
	(28,519)	(11,876)

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

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Profit before tax	63,112	33,867
Taxation at statutory tax rate of 25% (31.12.2018: 25%)	(15,778)	(8,467)
Expenses not deductible for tax purposes	(2,278)	(1,310)
Withholding tax on undistributed profits of PRC subsidiaries	(2,044)	(1,247)
Deferred tax assets not recognised	(4,525)	(852)
Under provision in prior year		
- Income tax expense	(3,894)	–
Income tax expense	(28,519)	(11,876)

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.

8. INCOME TAX EXPENSE (CONT'D)

Deferred tax assets in respect of the following:

	Gross		Tax effects	
Group	30.6.2020 RMB'000	31.12.2018 RMB'000	30.6.2020 RMB'000	31.12.2018 RMB'000
Unutilised tax losses expire by:				
- 31 December 2019	–	5,560	–	1,390
- 31 December 2020	783	783	196	196
- 31 December 2021	1,462	1,462	366	366
- 31 December 2022	1,462	1,462	366	366
- 31 December 2023	1,255	1,255	314	314
- 31 December 2024	16,094	–	4,023	–
- 31 December 2025	7,567	–	1,892	–
	28,623	10,522	7,157	2,632

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

9. EARNINGS PER SHARE

Basic

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

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Net profit attributable to owners of the Company	34,593	21,991
Weighted average number of ordinary shares in issue ('000)	1,804,883	1,562,689
Basic earnings per ordinary share ('RMB')	0.0192	0.0141

Diluted

For the reporting period ended 30 June 2020, diluted earning per share is not presented in the financial statements as the number of shares that would have been issued arising from the exercise of the share options is anti-dilutive.

While for the reporting period ended 31 December 2018, diluted earning per share is not presented in the financial statements as the Company has no dilutive potential ordinary share in issue as at the end of the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Factory buildings and warehouse RMB'000	Staff accomodation and amenities RMB'000	Infrastructure RMB'000	Plant and machinery RMB'000	Computer RMB'000	Motor vehicles RMB'000	Furniture and fittings RMB'000	Building under constructions RMB'000	Total RMB'000
Cost									
At 1 January 2018	299,336	212,279	45,116	20,862	1,742	1,754	12,645	23,195	616,929
Additions	–	–	–	1,048	–	–	–	–	1,048
At 31 December 2018	299,336	212,279	45,116	21,910	1,742	1,754	12,645	23,195	617,977
Additions	–	–	–	3,790	1,379	–	654	–	5,823
Reclassification	23,195	–	–	–	–	–	–	(23,195)	–
Write offs	–	–	–	(24)	(53)	–	(64)	–	(141)
At 30 June 2020	322,531	212,279	45,116	25,676	3,068	1,754	13,235	–	623,659
Accumulated depreciation									
At 1 January 2018	29,379	20,868	4,435	7,454	700	1,041	3,480	–	67,357
Charge for the year	6,091	4,318	919	1,783	132	158	842	–	14,243
At 31 December 2018	35,470	25,186	5,354	9,237	832	1,199	4,322	–	81,600
Charge for the period	9,140	6,476	1,376	3,189	242	237	1,185	–	21,845
Write offs	–	–	–	(21)	(40)	–	(58)	–	(119)
At 30 June 2020	44,610	31,662	6,730	12,405	1,034	1,436	5,449	–	103,326
Carrying amount									
At 30 June 2020	277,921	180,617	38,386	13,271	2,034	318	7,786	–	520,333
At 31 December 2018	263,866	187,093	39,762	12,673	910	555	8,323	23,195	536,377

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

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

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
At carrying amount		
Factory buildings and warehouse	277,921	263,866
Staff accommodation and amenities	180,617	187,093
Infrastructure	38,386	39,762
Building under construction	–	23,195
	496,924	513,916

11. LAND USE RIGHTS

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
Land use rights, at cost		
At beginning/end of period/year	60,860	60,860
Accumulated amortisation		
At beginning of period/year	14,182	12,965
Charge for the period/year	1,826	1,217
At end of period/year	16,008	14,182
Carrying amount	44,852	46,678

At the reporting date, the land use rights of the Group with carrying amount of RMB44,852,000 (31.12.2018: RMB46,678,000) have been charged as collaterals to secure the term loan referred to in Note 22.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	30.6.2020 RMB'000	31.12.2018 RMB'000
Unquoted equity shares, at cost	194,712	194,712
Equity loan to a subsidiary	439,248	439,248
	633,960	633,960

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

The Directors of the Company assessed the nature of the amount owing by a subsidiary and determined a portion of the outstanding balance of the amount owing by a subsidiary amounting to RMB439,248,000 (31.12.2018: RMB439,248,000) shall constitute an equity loan to the subsidiary, which is unsecured, interest-free and is considered to be part of the net investment in foreign operation of the Company.

The details of the subsidiaries are as follows:

	Country of incorporation	Group's effective interest 30.6.2020 %	31.12.2018 %	Principal activities
Subsidiaries of the Company				
XiDeLang Network Technology Sdn Bhd*	Malaysia	100	100	Dormant with the intended activities of providing cloud services, internet marketing and E-Commerce services
Hong Kong XinYuanChan International Holdings Co Ltd ("XinYuanChan") *	Hong Kong	100	100	Investment holding
Subsidiary of XinYuanChan				
HongPeng (Fujian) Shoes & Garments Co Ltd ("HPFJ") *	People's Republic of China	100	100	Design, manufacturing and marketing of sport shoes as well as design and marketing of sports apparel, accessories and equipment
Subsidiaries of HPFJ				
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co Ltd *	People's Republic of China	100	100	Design, manufacturing and marketing of sport shoes
XiDeLang Sports Goods Co Ltd *	People's Republic of China	100	100	Registered owner of "XiDeLang" brand

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

13. INVENTORIES

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
At cost		
Raw materials	444	181
Work in progress	154	1,132
Finished goods	1,276	207
	1,874	1,520

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Amount of inventories recognised as an expense	474,338	367,452

14. TRADE RECEIVABLES

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
Trade receivables	117,259	150,878
Less: Allowance for expected credit losses	(1,783)	(971)
	115,476	149,907

The Group's normal trade credit terms range from 120 to 150 days (31.12.2018: 120 days). Trade receivables are not secured by any collateral or credit enhancements.

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

30.6.2020		Trade receivables – days past due		
Group	Not past due RMB'000	<30 days RMB'000	31-60 days RMB'000	Total RMB'000
Gross carrying amount	106,031	7,237	3,991	117,259
Less: Allowance for expected credit losses	(1,272)	(410)	(101)	(1,783)
	104,759	6,827	3,890	115,476

14. TRADE RECEIVABLES (CONT'D)

31.12.2018	Trade receivables – days past due			
Group	Not past due RMB'000	<30 days RMB'000	31-60 days RMB'000	Total RMB'000
Gross carrying amount	150,878	–	–	150,878
Less: Allowance for expected credit losses	(971)	–	–	(971)
	149,907	–	–	149,907

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

	Group	
	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
At beginning of period/year	971	1,154
Additions	812	157
Reversal	–	(340)
At end of period/year	1,783	971

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	30.6.2020 RMB'000	31.12.2018 RMB'000	30.6.2020 RMB'000	31.12.2018 RMB'000
Amount due from a subsidiary	–	–	304,503	307,045
Prepayments	–	900	–	–
	–	900	304,503	307,045

The amount due from a subsidiary represents unsecured interest free advances receivable on demand.

16. CASH AND BANK BALANCES

	Group		Company	
	30.6.2020 RMB'000	31.12.2018 RMB'000	30.6.2020 RMB'000	31.12.2018 RMB'000
Cash at banks				
- interest bearing	862,056	805,966	–	–
- non interest bearing	8	17	8	17
	862,064	805,983	8	17

16. CASH AND BANK BALANCES (CONT'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 point with all other variables held constant:

	Group	
	30.6.2020 RMB'000	**31.12.2018 RMB'000**
Profitability		
- Increase by 0.1% (2018: 0.1%)	862	806
- Decrease by 0.1% (2018: 0.1%)	(862)	(806)

17. SHARE CAPITAL

	Group and Company					
	1.1.2019 to 30.6.2020 No. of ordinary shares Units'000	**1.1.2018 to 31.12.2018 No. of ordinary shares Units'000**	**1.1.2019 to 30.6.2020 USD'000**	**1.1.2018 to 31.12.2018 USD'000**	**1.1.2019 to 30.6.2020 RMB'000**	**1.1.2018 to 31.12.2018 RMB'000**
Authorised ordinary shares	7,500,000	7,500,000	300,000	300,000	1,828,467	1,828,467
Issued and fully paid:						
At beginning of period/ year	1,804,884	673,871	72,195	26,955	452,534	157,909
Issue of shares pursuant to						
- bonus issue	–	676,154	–	27,046	–	176,080
- exercise of warrants	–	391,809	–	15,672	–	101,315
- exercise of ESOS	–	63,050	–	2,522	–	17,230
	–	1,131,013	–	45,240	–	294,625
At end of period/year	1,804,884	1,804,884	72,195	72,195	452,534	452,534

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

17. SHARE CAPITAL (CONT'D)

17.1 Employees share option scheme ("ESOS")

ESOS of the Company come 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 ESOOS 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.

In the previous reporting period, the Company offered 63,050,000 units of ESOS to the eligible employees of the Group with an exercise price of RM0.165 per share. Accordingly, employee benefits associated with the grant of ESOS of RMB2,042,702 were recognised in profit or loss. The entire 63,050,000 units of ESOS were also exercised in the previous reporting period, resulting in 63,050,000 units of new ordinary shares being issued with a total of RMB17.48million proceed being raised.

17.2 Warrants 2019/2022

On 25 January 2019, the Company listed and quoted 902,441,557 warrants (Warrants 2019/2022) pursuant to the bonus issue of 902,441,557 warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares of USD0.004 each in the Company.

The Warrants 2019/2022 were constituted by the Deed Pool dated 4 January 2019 ("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 RM0.18 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.

The Warrants will be expired on 17 January 2022.

17. SHARE CAPITAL (CONT'D)

17.2 Warrants 2019/2022 (Cont'd)

The movements in the Company's Warrants 2019/2022 during the financial period are as follows:

	Entitlement for ordinary shares			
	Balance at 1.1.2019	**Issued**	**Exercised**	**Balance at 30.6.2020**
Number of unexercised warrants	–	902,441,557	–	902,441,557

18. RESERVES

	Group		Company	
	30.6.2020 RMB'000	**31.12.2018 RMB'000**	**30.6.2020 RMB'000**	**31.12.2018 RMB'000**
Distributable :				
Retained profits	693,629	665,340	64,584	67,324
Non distributable:				
Share premium	2,290	2,290	2,290	2,290
Treasury shares	(1)	(1)	(1)	(1)
Capital redemption reserve	417,225	417,225	417,225	417,225
Statutory surplus reserve	49,277	42,973	–	–
Merger deficit	(204,906)	(204,906)	–	–
Foreign currency translation reserve	33,401	33,401	–	–
	297,286	290,982	419,514	419,514
	990,915	956,322	484,098	486,838

18.1 Share premium

Share premium represents the excess of the consideration received over the nominal value of the shares issued by the Company.

18. RESERVES (CONT'D)

18.2 Treasury shares

	Group and Company			
	1.1.2019 to 30.6.2020 No. of treasury shares	1.1.2018 to 31.12.2018 No. of treasury shares	1.1.2019 to 30.6.2020 RMB'000	1.1.2018 to 31.12.2018 RMB'000
At beginning/end of period/year	250	250	(1)	(1)

18.3 Capital redemption reserve

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

18.4 Statutory surplus reserve

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

18.5 Merger deficit

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

	30.6.2020 RMB'000
Cost of merger	204,915
Less: Share capital of XinYuanChan	(9)
	204,906

18.6 Foreign currency translation reserve

The foreign currency 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.

19. DEFERRED TAX LIABILITIES

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
At beginning of period/year	(22,274)	(21,027)
Recognised in profit or loss (Note 8)		
- current period/year	(2,044)	(1,247)
At end of period/year	(24,318)	(22,274)

The Group is subject to income taxes in the tax jurisdiction in People's Republic of China ("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 period, the Directors have reconsidered the above tax exposure in light of the dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%.

20. TRADE PAYABLES

The normal trade credit terms granted to the Group is 120 days (31.12.2018: 120 days).

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	30.6.2020 RMB'000	31.12.2018 RMB'000	30.6.2020 RMB'000	31.12.2018 RMB'000
Value added tax payables	1,370	2,479	–	–
Other payables and accruals	22,501	26,731	1,839	1,650
	23,871	29,210	1,839	1,650

22. BORROWINGS

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
Term loan - current portion	12,400	12,400

The term loan is secured by ways of:

i) Third party first legal charge over the land and building of subsidiaries;
ii) Joint and several personal guarantee by certain directors of the Company

The effective interest of the term loan is 5.04% (31.12.2018: 5.04%) per annum.

23. SIGNIFICANT RELATED PARTY DISCLOSURES

23.1 Related party balances

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

		Company	
	Type of transactions	30.6.2020 RMB'000	31.12.2018 RMB'000
Financial asset			
With a subsidiary:			
- Hong Kong XinYuanChan International Holdings Co Ltd	Advances	304,503	307,045

23.2 Compensation of key management personnel

The key management personnel comprises mainly executive directors of the Company whose remuneration is disclosed in Note 5.

24. SEGMENT INFORMATION

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

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

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

24. SEGMENT INFORMATION (CONT'D)

Geographical segments

During the reporting period, 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:

	Group	
	1.1.2019 to 30.6.2020	1.1.2018 to 31.12.2018
Revenue	**RMB'000**	**RMB'000**
Eastern region	15,286	15,342
Southern region	477,509	288,723
Western region	74,144	83,189
Northern region	59,628	67,005
	626,567	454,259

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

- 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

Customers segment information

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 period.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT

25.1 Categories of financial instruments

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

	Group		Company	
	30.6.2020	31.12.2018	30.6.2020	31.12.2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Amortised cost:				
- trade receivables	115,476	149,907	–	–
- other receivables	–	–	304,503	307,045
- cash and bank balances	862,064	805,983	8	17
	977,540	955,890	304,511	307,062

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (CONT'D)

25.1 Categories of financial instruments (Cont'd)

	Group		Company	
	30.6.2020 RMB'000	31.12.2018 RMB'000	30.6.2020 RMB'000	31.12.2018 RMB'000
Financial liabilities				
Amortised cost:				
- trade payables	42,519	69,062	–	–
- other payables and accruals	22,501	26,731	1,839	1,650
- borrowings	12,400	12,400	–	–
	77,420	108,193	1,839	1,650

25.2 Financial risk management objectives and policies

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

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

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

Credit risk management

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

	Group	
	30.6.2020 RMB'000	31.12.2018 RMB'000
Bank balance with a financial institution (31.12.2018: One)	861,991	805,894

	Company	
	30.6.2020 RMB'000	31.12.2018 RMB'000
Amount due from a subsidiary (31.12.2018: One)	304,503	307,045

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (CONT'D)

25.2 Financial risk management objectives and policies (Cont'd)

Credit risk management (Cont'd)

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

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

i) Trade receivables

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

ii) Other receivables

Other receivables [other than the amount due from a subsidiary of the Company of RMB304,503,000 (31.12.2018: RMB307,045,000)] are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. The loss allowance for the amount due from subsidiaries is measured at an amount equal to the lifetime ECL as there has been a significant increase in credit risk since initial recognition. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (CONT'D)

25.2 Financial risk management objectives and policies (Cont'd)

Credit risk management (Cont'd)

(iii) Cash and bank balances

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

Liquidity risk management

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

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

	Group		
		Contractual cash flows (including interest payments)	
	Carrying amount	Total	On demand or within 1 year
30.6.2020	RMB'000	RMB'000	RMB'000
Non interest bearing debts	65,020	65,020	65,020
Interest bearing debts	12,400	13,025	13,025
	77,420	78,045	78,045

		Contractual cash flows (including interest payments)	
	Carrying amount	Total	On demand or within 1 year
31.12.2018	RMB'000	RMB'000	RMB'000
Non interest bearing debts	95,793	95,793	95,793
Interest bearing debts	12,400	13,025	13,025
	108,193	108,818	108,818

26. FAIR VALUE MEASUREMENTS

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

27. CAPITAL STRUCTURE AND CAPITAL RISK MANAGEMENT

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the reporting period ended 30 June 2020 and 31 December 2018.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net borrowings less cash and bank balances. Capital comprises total equity of the Company. There were no changes in the Group's approach to capital management during the reporting period.

	Group		Company	
	30.6.2020 RMB'000	**31.12.2018 RMB'000**	**30.6.2020 RMB'000**	**31.12.2018 RMB'000**
Borrowings	12,400	12,400	–	–
Less: cash and bank balances	(862,064)	(805,983)	(8)	(17)
Net cash	(849,664)	(793,583)	(8)	(17)
Total equity	1,443,449	1,408,856	936,632	939,372
Gearing ratio (%)	N/A	N/A	N/A	N/A

28. COMPARATIVE FIGURES

The company changed its financial year end from 31 December to 30 June. Accordingly, the comparative figures relate to the 12 months for the period 1 January 2018 to 31 December 2018 and hence are not comparable to those of the current 18 months period ended 30 June 2020.

29. SIGNIFICANT SUBSEQUENT EVENTS

(i) On 3 September 2020, the Company reduced its issued and paid-up capital from USD72,195,334 to USD1,804,883 by cancelling USD0.039 out the par value of every existing issued and paid up shares of USD0.04 each.

(ii) The Company obtained shareholders' approval to establish an Employees' Share Option Scheme ("ESOS"). On 3 September 2020, the Company also granted 270,732,400 shares of options at an exercise price of RM0.0653 per share to the eligible employees of the Group under the Employees' share option scheme.

LIST OF GROUP PROPERTIES

Location	Description	Existing/ Intended usage	Tenure/ Approximate age of the building	Land area/ Built-up area	Net book value as at 30 June 2020 (RMB'000)
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (vacant)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	840 square metres	3,951
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (vacant)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	576 square metres	709
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (site for new factory building and employees' dormitories)	Leasehold for 50 years (from 31.07.2007 to 05.06.2057)	33,183 square metres	19,270
Zhai Nei Village, Nei Keng County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (site for new office building and employees' dormitories)	Leasehold for 50 years (from 31.07.2007 to 25.06.2057)	34,561 square metres	20,922
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 7 years	67,700/ 114,453 square metres	496,924

ANALYSIS OF SHAREHOLDINGS

As at 22 October 2020

SHARE CAPITAL

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

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

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

DIRECTOR'S INTEREST

(As per Register of Director's Shareholdings)

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

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

ANALYSIS BY SIZE OF HOLDINGS

(Based on the Record of Depositors)

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued capital
1 - 99	181	1.690	7,777	0.001
100 - 1,000	333	3.110	132,224	0.006
1,001 - 10,000	1,520	14.194	11,092,838	0.524
10,001 - 100,000	5,591	52.208	300,415,412	14.196
100,001 - 105,811,270 (*)	3,084	28.798	1,804,577,163	85.273
105,811,271 and above (**)	-	-	-	-
Total (***)	10,709	100.000	2,116,225,414	100.000

Remark:

* Less than 5% of issued shares

** 5% & above of issued shares

*** Excluding 250 treasury shares

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

THIRTY LARGEST SHAREHOLDERS
(Based on the Record of Depositors)

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD EXEMPT AN FOR MAYBANK KIM ENG SECURITIES PTE LTD (A/C 648849)	49,980,000	2.362
2	DING CHAOYANG	40,609,900	1.919
3	LIN HUOMENG	30,000,000	1.418
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JEGA DEVAN A/L M NADCHATIRAM	23,000,000	1.087
5	NG CHUNG FATT	15,000,000	0.709
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOR AH KEE (CEB)	14,888,000	0.704
7	KENNETH FOO YOKE HONG	12,500,000	0.591
8	RIAN HWA CONSTRUCTION SDN BHD	11,100,000	0.525
9	ONG CHEE SIONG	10,407,000	0.492
10	LIM YIH HUEI	10,200,000	0.482
11	NG AH MOOI	10,000,000	0.473
12	LOW MIN HING	9,500,000	0.449
13	ROOPAK SINGH A/L RAGHBIR SINGH	9,293,500	0.439
14	CHEW CHEN HONG	9,250,000	0.437
15	NGO SEH TEE	8,500,000	0.402
16	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG HIN SEONG	7,001,000	0.331
17	NG HOON LIONG	6,990,000	0.330
18	GAN CHUAN LEE	6,500,000	0.307
19	SURESH A/L KALIA PERUMAL	6,500,000	0.307
20	LAI THIAM POH	6,000,000	0.284
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SING LEE (E-KPG)	6,000,000	0.284
22	YEOH CHEOR ENG	5,700,000	0.269
23	LIM SIN KEAT	5,560,000	0.263
24	CHNG KIM CHYE	5,500,000	0.260
25	PON WEI SIONG	5,500,000	0.260
26	CHEONG KOK KONG	5,422,600	0.256
27	TAI BOON SENG	5,420,000	0.256
28	LEE LAI KEAT	5,350,000	0.253
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG CHOY	5,310,000	0.251
30	CHIN WEI HAU	5,200,000	0.246
	TOTAL	**352,182,000**	**16.646**

ANALYSIS OF WARRANTS HOLDINGS

As at 23 October 2020

Total Warrants Issued – "Warrant D" : 902,441,557

ANALYSIS BY SIZE OF HOLDINGS
(Based on the Record of Depositors)

Size of holdings	No. of holders	% of holders	No. of warrants held	% of issued warrants
1 - 99	392	10.572	15,321	0.002
100 - 1,000	200	5.394	103,956	0.011
1,001 - 10,000	881	23.759	5,072,479	0.562
10,001 - 100,000	1,214	32.740	56,673,259	6.280
100,001 - 45,122,076 (*)	1,021	27.535	840,576,542	93.145
45,122,077 and above (**)	-	-	-	-
Total	3,708	100.000	902,441,557	100.000

Remark:
* Less than 5% of issued warrants
** 5% & above of issued warrants

THIRTY LARGEST WARRANT HOLDERS
(Based on the Record of Depositors)

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
1	TAN DEE DEE	32,000,000	3.546
2	YAP KAH CHIN	27,000,000	2.992
3	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG SOONG HUAT	14,350,000	1.590
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KATHY LUK KAI TING	14,000,000	1.551
5	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH CHOON HUAT (E-TAI/TPD)	10,400,000	1.152
6	CH'NG BENG WEI	10,000,000	1.108
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEOW HOAY SUAN (SUNWAYMAS B.CL)	9,000,000	0.997
8	MOHD AZMAN BIN YAACOB	8,650,000	0.959
9	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)	8,000,000	0.886
10	GOH JOI SANG	7,500,000	0.831
11	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW MENG FATT (K KINABALU-CL)	7,388,500	0.819
12	LYE MING LIH	7,060,000	0.782
13	MEGAN LEE YOU MIN	7,010,000	0.777
14	ONG YOK FO	6,800,000	0.754

ANALYSIS OF WARRANTS HOLDINGS
(CONT'D)

NO	NAME	HOLDINGS	HOLDING PERCENTAGE (%)
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOUIS LUK ZHANG SHENG	5,500,000	0.609
16	LAM SOW MENG	5,500,000	0.609
17	DING LEE KIAT	5,362,000	0.594
18	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN	5,000,000	0.554
19	TAN SAY LEONG	5,000,000	0.554
20	TAN SOON TEONG	5,000,000	0.554
21	YU KIM LUNG	5,000,000	0.554
22	LYE MING ZH	4,987,500	0.553
23	ENG LI CHING	4,700,000	0.521
24	LEE CHI CHUAN	4,500,000	0.499
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG BAN SENG (E-SRB)	4,500,000	0.499
26	YIP CHOONG RUN	4,466,500	0.495
27	TAY BOON KEE	4,100,000	0.454
28	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KOH WAH (MY1842)	4,020,000	0.445
29	LEE KIM SUN	4,000,000	0.443
30	LEE SIEW CHING	4,000,000	0.443
	TOTAL	**244,794,500**	**27.124**

NOTE TO SHAREHOLDERS

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

XiDeLang Holdings Ltd
(Bermuda Company No. 43136)
(Incorporated as an exempted company in Bermuda
under the Companies Act 1981 of Bermuda)
(Malaysian Foreign Company Registration No. 200902000038 (995210-W))
(Registered as a foreign company in Malaysia
under the Companies Act, 1965 of Malaysia and deemed registered
under the Companies Act 2016)