



annual report 2011

XiDeLang Holdings Ltd

(Bermuda Company No. 43136)

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

(Malaysian Foreign Company Registration No. 995210-W)

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

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Notice of the Third Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya, Malaysia on Tuesday, 19 June 2012 at 10 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business:-

- | | | |
|-----|--|---|
| 1. | To receive the Audited Financial Statements of the Company and of the Group and the Reports of the Directors and the Auditors thereon for the financial year ended 31 December 2011. | <i>(Please refer to Explanatory Note 1)</i> |
| 2. | To approve the payment of Directors' fees for the financial year ended 31 December 2011. | <i>(Ordinary Resolution 1)</i> |
| 3. | To re-elect the following Directors who retire pursuant to the Company's Bye-laws: | |
| 3.1 | Ding PengWan [Bye-Law 86] | <i>(Ordinary Resolution 2)</i> |
| 3.2 | Wong Yoke Nyen [Bye-Law 86] | <i>(Ordinary Resolution 3)</i> |
| 4. | To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | <i>(Ordinary Resolution 4)</i> |

As Special Business:-

5. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

Authority to Issue Shares

(Ordinary Resolution 5)

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

6. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

(Ordinary Resolution 6)

"THAT subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 28 May 2012, provided that such transactions are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arms length basis, on normal commercial terms which are not more favorable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company ("the Shareholders' Mandate").

Notice of the Third Annual General Meeting

AND THAT such approval, shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which the Shareholders’ Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
- (b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to the Prevailing laws; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

7. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

Proposed Renewal of Authority for Xidelang Holdings Ltd to Purchase its own Shares Pursuant to the Prevailing Laws, Listing Requirements and Bye-Law

(Ordinary Resolution 7)

“THAT, subject always to the provisions of the Bye-Laws of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of USD0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

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

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

- (i) the conclusion of the next Annual General Meeting (“AGM”) at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

Notice of the Third Annual General Meeting

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

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

BY ORDER OF THE BOARD
XIDELANG HOLDINGS LTD

LIM LEE KUAN (MAICSA 7017753)
TEO MEE HUI (MAICSA 7050642)
Company Secretaries

Kuala Lumpur
28 May 2012

Notes:-

- i. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Bye-laws 58 (5) of the Company's Bye-laws and Section 34(l) of the Securities Industry (Central Depositories) Act 1991 of Malaysia to issue a General Meeting Record of Depositors as at 12 June 2012. Only a depositor whose name appears on the Record of Depositors as at 12 June 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- ii. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- iii. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 of Malaysia, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
- iv. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- v. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of an office, attorney or other person duly authorised to sign the same.
- vi. The instrument appointing a proxy must be deposited at the Company's registered office in Malaysia i.e. Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting i.e. on or before 10.00 a.m., Sunday, 17 June 2012 or any adjournment thereof.

Notice of the Third Annual General Meeting

Explanatory Notes:-

1. Item 1 of the Agenda

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

2. Item 5 of the Agenda – Ordinary Resolution 5

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

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the Previous Mandate"). The Previous Mandate had been utilised for the private placement of up to 10 % of the issued share capital of the Company ("Private Placement"). Bursa Malaysia Securities Berhad had on 31 January 2012 granted its approval for the Private Placement. The Company had issued 43,999,000 ordinary shares of USD0.10 each at an issue price of RM0.40 each. The Private Placement had raised gross proceeds of RM 17,599,600 and utilised for the purchase of machinery for new Design & Production Centre for the Company and to defray the estimated expenses for the Private Placement. Out of the total proceeds raised of RM17,599,600, the Company has utilised RM4,260,000 for the purchase of machinery for new Design & Production Centre and RM400,000 to defray the expenses for the Private Placement.

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

3. Item 6 of the Agenda – Ordinary Resolution 6

The Proposed Shareholders' Mandate, if passed, will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Groups day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

For further information, please refer to the Circular to Shareholders of the Company dated 28 May 2012.

4. Item 7 of the Agenda – Ordinary Resolution 7

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the earnings and/or share premium of the Company.

For further information, please refer to the Circular to Shareholders of the Company dated 28 May 2012.



Corporate Information

BOARD OF DIRECTORS	
DING LIHONG Executive Chairman	DING PENG PENG Managing Director/Chief Executive Officer
DING PENG WAN Executive Director/Chief Operating Officer	WONG YOKE NYEN Independent Non-Executive Director
ZHU GUO HE Independent Non-Executive Director	WOON YEOW THONG Independent Non-Executive Director

AUDIT COMMITTEE

Wong Yoke Nyen
Chairman

Zhu Guo He
Member

Woon Yeow Thong
Member

REMUNERATION COMMITTEE

Woon Yeow Thong
Chairman

Ding Peng Peng
Member

Wong Yoke Nyen
Member

Zhu Guo He
Member

NOMINATION COMMITTEE

Zhu Guo He
Chairman

Wong Yoke Nyen
Member

Woon Yeow Thong
Member

COMPANY SECRETARIES

Lim Lee Kuan (MAICSA 7017753)
Teo Mee Hui (MAICSA 7050642)
Codan Services Limited
(Assistant Secretary)

AUDITORS

BDO (AF 0206), Malaysia
Chartered Accountants
12th Floor Menara Uni.Asia
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Malaysia

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

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Bermuda

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Fax: +1 (441) 292 4720

REGISTERED OFFICE IN MALAYSIA

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Lingkaran Syed Putra
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Malaysia

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

BERMUDA SHARE REGISTRAR

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

MALAYSIAN SHARE REGISTRAR

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Malaysia

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Fax: +603 – 2282 1886

AGENT IN MALAYSIA

PFA Corporate Consultants Sdn. Bhd.
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Malaysia

Tel: +603 2264 8888
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PRINCIPAL BANKERS

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

Fujian Jinjiang Rural Cooperative Bank, PRC
(中国福建省农村信用合作社)

Bank of Communications, PRC
(中国交通银行)

STOCK EXCHANGE LISTING

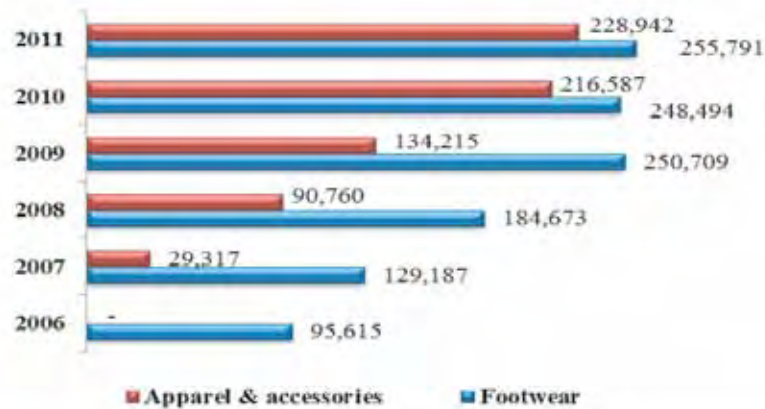
Main Market,
Bursa Malaysia Securities Berhad
Stock Name / Code: XDL 5156
ISIN: BMG9828L1072

Financial Highlights

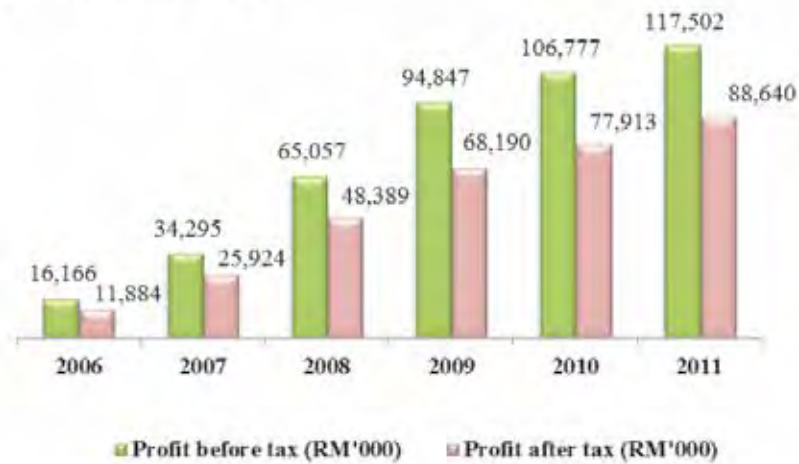
Revenue (RM'000)



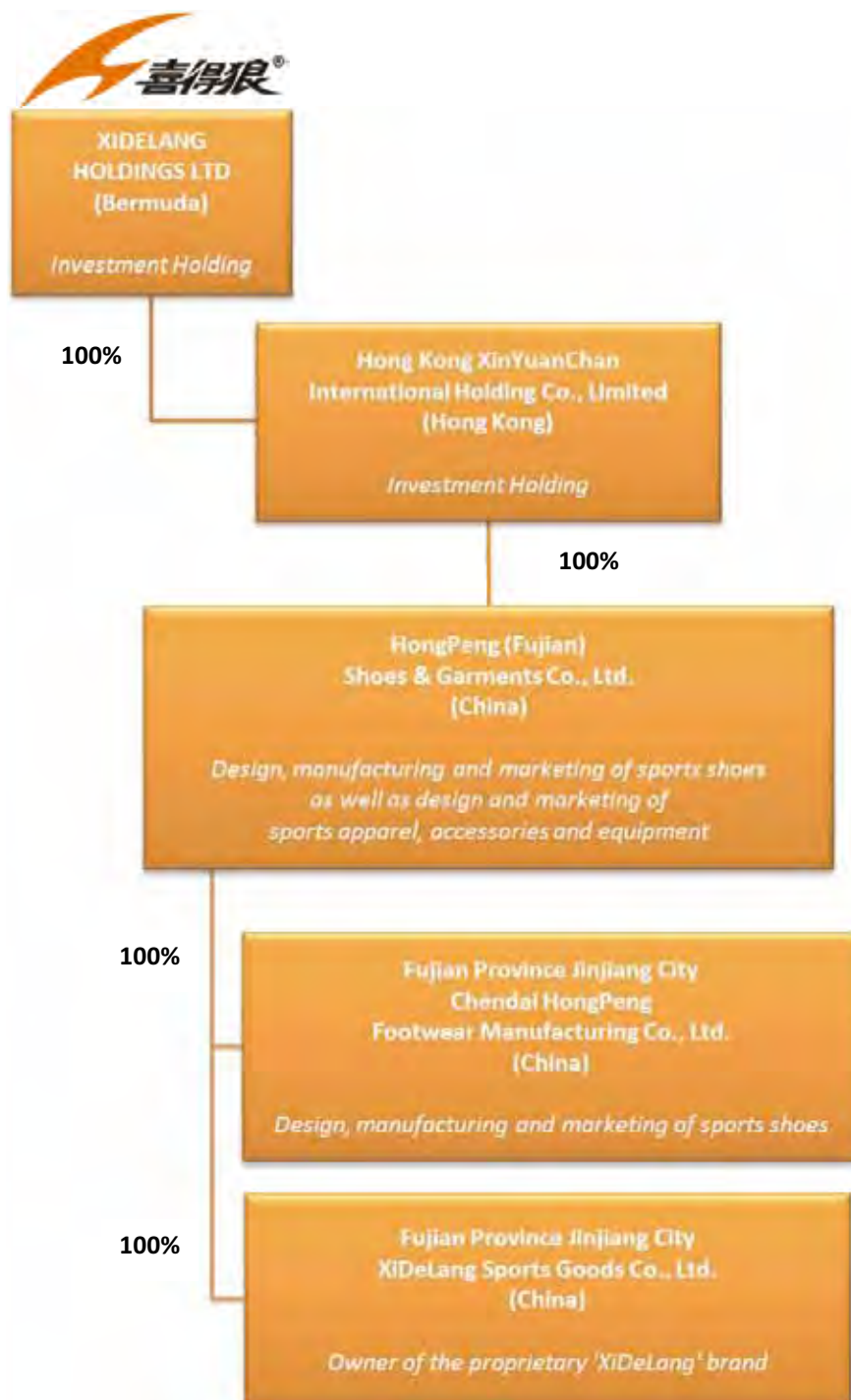
Revenue By Product (RM'000)



Profit Level (RM'000)



Corporate Structure



Our Key Achievements / Milestones

Year	Milestones
2011	Nominated as Asia's 200 Best Under a Billion by Forbes Asia Magazine
2009	Initial Public Offering and Listing on Main Market of Bursa Malaysia Securities Berhad
2007	Ventured into marketing of sports apparel, accessories and equipment under our own brand name of 'XiDeLang'
2006	Awarded "Well-known Mark of China" by Jiangxi Province Fuzhou City Intermediate People's Court through Judicial Affirmation
2006	HongPeng (Fujian) and XiDeLang Sports Goods were accredited with ISO9001:2000 Quality Management System
2005	Accredited with State Inspection Exempted Product Certification issued by PRC Quality Surveillance and Inspection Bureau
1996	HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HongPeng (Fujian)") was established in China to undertake design, manufacturing and marketing of sports shoes under our 'XiDeLang' brand
1995	Incorporation of Fujian Province Jinjiang City XiDeLang Sports Goods Co., Ltd. ("XiDeLang Sports Goods") primarily to hold our proprietary brand
1993	Launched and commercialised our in-house manufactured sports shoes under our own brand name of 'XiDeLang'
1993	Incorporation of Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("HongPeng Footwear") to undertake manufacturing of sports shoes in China



Statement from the Chairman

Dear shareholders,

On behalf of the Board of Directors of XiDeLang Holdings Ltd ("XiDeLang"), it is my pleasure and privilege to present to you the Annual Report and Audited Financial Statements of XiDeLang and the Group for the financial year ended ("FYE") 31 December 2011.



FINANCIAL REVIEW

The year 2011 is certainly one full of challenges, with the global economy remained unrest attributable to the unprecedented political turmoil in the Middle East and North Africa, a series of natural disasters around the globe and the crises that hit the advanced economies.

However, I am delighted to report that XiDeLang has managed to register a relatively consistent financial performance against this backdrop. Revenue for year 2011 grew to RM484.7 million, a 4.2% increase over the preceding year's RM465.1 million. Gross profit contracted slightly to RM144.9 million, as contrast to RM151.2 million in the preceding year. Nonetheless, profit after tax improved from RM77.9 million in preceding year to RM88.6 million in 2011, representing a 13.8% year-on-year growth, backed by the savings on selling and distribution costs.

Year 2011 witnessed certain degree of adjustments within the footwear industry in China, with some of the smaller players being consolidated or reluctantly forced out of business due to the increasing cost pressures. This presented a mixture of risks and opportunities to the Group and on prompt basis the Group has aligned its strategic strategies to focus on the following core competencies of the Group to strengthen its market position:

- Product innovation where the internal research and development team is tasked to continually refine the existing product designs and create new designs and models, to accommodate the fast-changing consumer taste and preference.
- Reinforce the rapport with the appointed distributors of the Group, with active and regular communication with the respective distributors to update the provincial development and market response. Certain level of consolidation to the existing outlets has been carried out, to ensure resources is optimised and more emphasis is dedicated to areas with greater growth and expansion potential.
- Extension of the brand building efforts where multi-medium advertising is adopted to strengthen the market recognition of our proprietary 'XiDeLang' brand name, a vital element to distinguish the Group from other industry players.



INDUSTRY OUTLOOK & PROSPECTS

Moving into 2012, we anticipate that the global economy would remain challenging and China, the principal operating environment of the Group, is unlikely to be fully insulated from the potential impacts.

The Group believes that the domestic retail market and consumer sentiment would be affected by the moderation of China's economic growth to a certain extent. The industry competition is expected to remain intense with the pressure of cost escalation likely to persist in the industry value chain, and the deep-discounting practice adopted by some industry players to clear excessive stock on hand.

On the bright side, the Group is confident that the growth in China's sportswear industry remains promising, particularly in the lower-tier cities, on the back of the government's continuing support for sports promotion, urbanisation and rising wages. On macroeconomic perspective, it is generally expected that policymakers of China would continue to focus on reining in inflation and expanding domestic demand as a response to the nation's economic restructuring for sustainable long term development.

Statement from the Chairman

Riding on the upcoming London Olympic 2012, it is expected that the passion for sports would again be resurrected and this would certainly favour the industry with uptrend in domestic consumption and retail sales. In addition, consumers are becoming more sophisticated and brand-oriented as a result of rising affluence. Hence, product and branding differentiation are cardinal elements to achieve sustainable sales and profitability. Sportswear brands that are able to distinguish themselves in the market, with the capability to promptly respond to the market changes and deliver greater value-for-money to the consumers would stand a chance to tap the market potential and capture a greater market share in the increasingly consolidated industry.

Bearing the great uncertainties revolving the global economy and the magnitude of the resulting impact on China's economy, the Board remains cautious about the industry development. Nevertheless, the Board is confident that through the various initiatives deliberated and planned as discussed below, the Group's financial performance and prospects for the financial year ending 31 December 2012 would remain promising and optimistic barring any unforeseen circumstances.



- Expand research and development efforts on product designs and innovation to sustain product attractiveness to capture consumer taste and preference and broaden the product range to offer a more comprehensive and complete choices to the consumers.
- Enhance production efficiency for cost savings, and expand the production capacity to enable the Group to respond promptly to the changing market trends and consumer demand.
- Further strengthen 'XiDeLang' brand awareness via integrated and multi-medium advertising and promotion campaigns, and consolidate or reposition the retail outlets to ensure resources are optimised on areas with greater growth potential.

APPRECIATION

On behalf of XiDeLang, I wish to express my utmost gratitude to our management team and staff for their unyielding loyalty, hard work and commitment to excellence. The successes of 2011 came on the back of their relentless focus and efforts. Our heartfelt appreciation goes to all our other stakeholders, including our valued customers and distributors, business associates, bankers and regulators for their continuous contribution and support in one way or another. Thank you for your unwavering support to the Group all these years.

Taking this opportunity, I would also like to express my sincere appreciation to my colleagues on the Board for their valuable counsel and guidance.

Not to be forgotten, my deepest gratitude to all our shareholders for your continued support and confidence in XiDeLang. We look forward to pursuing new heights of excellence and creating strong shareholder value as we march into year 2012.

Thank you.

Ding LiHong
Executive Chairman



Statement from the Managing Director/CEO

To our valued shareholders,

The completed year 2011 has been a challenging one for XiDeLang Group. Gloomy global outlook caused by the political unrest in Middle East and North Africa, unprecedented crises troubling the advanced economies and natural disasters certainly preclude a simple optimism that China's economy would be completely insulated from any negative impact.

Although China's economy and retail sales maintained sound growth momentum during the financial year, the nation faced high inflationary pressure because of the domestic stimulus package and liquidity unleashed by the central banks around the globe. The sportswear industry certainly not insulated from that. In the year 2011, the industry was generally placed under great challenges and uncertainties arising from escalating cost pressures on raw materials and labour costs. The competition within the industry was growing intense.

Our Group's business model remained intact with prior year, with the business strategies principally streamlined into two areas: brand management and distribution channel strategy.

- **Brand management and marketing**

Our Group reaffirms the importance of building own proprietary brand to distinguish ourselves from other industry players, especially when the market condition is evolving with the consumers being more sophisticated and brand-oriented.

Our Group's overall branding strategy is to create a positive image for our brand and to associate our brand with active and healthy lifestyle, with the aim to ultimately develop the brand to be synonymous with quality and contemporary sportswear to enhance our product attractiveness and recognition to the targeted consumer group.

Our Group adopt multi-medium advertising, including free-to-air and pay television, magazines and newspapers. In order to enhance uniformity, we have also standardised the printing of sales-aid materials which include promotional stands, posters and catalogues. These materials are then forwarded to the distributors and retailers.

On top of that, our Group implements a standardised design and layout for retail outlets, product display and pricing policy. All the distributors and their associated retailers are required to strictly adhere to the firm policies to reinforce our brand image. We value that uniformity would help enhancing consumers' recognition of our brand, and is instrumental to distinguish and differentiate our Group from other competitors.

Our Group has also appointed five (5) young and uprising artists and singers as our product ambassadors, leveraging on their popularity among the younger generation i.e. our targeted consumer groups. The young and energetic image of the product ambassadors complements our brand image well, and is likely to enhance the exposure of our brand among their fans adding to our existing consumer base.

We recognised that branding effect would not last without the support of superior product quality. To this end, our Group has established in-house research and design team to keep abreast with the fast changing fashion trends, to create new models and designs and to improve the design of existing products to accommodate the consumer expectations.

- **Distribution channel strategy**

Our success in marketing is predicated on our distribution channel strategy where we adopted an exclusive distributorship business model to reach out to our targeted consumer base. We appointed third parties distributors as the intermediaries to facilitate the management of the retail locations based on strict criteria such as investment capabilities, understanding of the consumer market, their market coverage and the ability to share our Group's vision for the 'XiDeLang' brand, where each of the distributors is charged with the responsibility to expand the retail network within their dedicated province.

Our Group has established a mature relationship with the respective appointed distributors, key for a stable and dispersed market coverage across the various provinces in China. Recognising the fact that the performance of the respective distributors has a direct impact on our Group, close monitoring has been imposed to ensure that any undesirable development at the distributor level is identified for prompt response.

Statement from the Managing Director/CEO

Given the widely dispersed geographic areas of the PRC, distribution strategy via distributorship represents an effective method to expand distribution coverage across the various provinces and municipalities in the PRC, both in terms of cost effectiveness and ease of monitoring. It allows our Group to enjoy extensive coverage of consumer base in various areas including suburban and rural areas but at the same time, the flexibility to focus our human and financial resources in nurturing the “gem” of our Group – proprietary ‘XiDeLang’ brand without being encumbered with the high initial set-up cost of retail locations and the onerous responsibility for monitoring the daily operations of the retail locations.

FINANCIAL REVIEW

• Revenue



In 2011, our Group’s revenue was primarily derived from sales of footwear which accounted for 53% of the Group’s total revenue. The remaining 47% was contributed by sales of apparel and accessories. The observed trend was consistent with prior year, where similar revenue proportion was recorded.

Total revenue recorded by the Group in 2011 was relatively consistent with prior year, stood at RM484.7 million representing an increase of 4.2% or RM19.7 million in monetary terms. Rising pressures from the raw materials and labour cost escalation within the sportswear industry in China has placed our Group with no other valid short term counter measure but to pass on the cost burden to the consumers by inflating the selling price of the products, at the expense of certain degree of slowdown in volume sold due to the digestion period required by the consumers. In RMB terms, revenue generated from ‘XiDeLang’ products was relatively consistent with prior year, approximated to RMB926.0 million as compared to RMB924.8 million in year 2010.

Nevertheless, the Group has managed to secure additional OEM contracts for footwear manufacturing from import/export trading companies to accommodate for overseas demands. In RMB terms, revenue from OEM manufacturing soared from RMB57.0 million in year 2010 to RMB101.6 million, registering a growth of 78.2%.

• GROSS PROFIT (“GP”) & GP MARGIN

Impacted by the rising cost pressure within the sportswear industry, our Group registered a contraction in gross profit (“GP”) with the overall GP for 2011 stood at RM144.9 million, a decrease of 4.2% as compared to prior year. The overall GP margin narrowed from 32.5% in 2010 to 29.9% in the current financial year.

Despite pricing adjustment was made to our products in response to the rising operating cost pressures, the Group had to absorb certain portion of the cost increase amid the intensified competition within the industry, in order to sustain the competitiveness against other competitors.

• PROFIT FOR THE YEAR UNDER REVIEW

The Group has taken prompt actions to respond to the market development. In conjunction with on-going market adjustments and consolidation where some of the smaller players were squeezed out from action, the Group has taken the opportunity to realign the business strategies to focus on enhancing the core competencies

Statement from the Managing Director/CEO

of the Group i.e. proprietary brand and product innovation. Expansion of new outlets by the distributors was placed under close scrutiny taking a quality consideration rather than quantity measurement, to ensure that resources are optimised to establish outlets in areas with greater growth potential for long term sustainable development.

This has awarded the Group with extra cost-savings. In 2011, the Group has managed to curb the selling and distribution expenses within a comfortable level. This in return, has boosted the net profit harvested for the financial year amid lower gross profit recorded. Profit for the financial year under review has improved from RM77.9 million in 2010 to RM88.6 million, registering an improvement of 13.8%.

Moving forward, the Group would devote additional efforts on the following core areas to continuously strengthen the competitiveness of the Group:

- On-going research and development activities for product innovation, to ensure new models and designs are available for launching on regular and timely basis, to accommodate the consumer expectations and fast-changing taste and preference.
- Continuous emphasis on brand building, recognising the importance to maintain a proprietary brand name as a distinguishing feature in the competitive marketplace. Our Group has adopted a diversified advertising approach to encompass TV advertisements, signboards, magazines and newspapers advertisements, as well as artiste effect via appointment of product ambassadors.
- Continuous supports to be provided to appointed distributors via new outlet subsidiary scheme and partial reimbursement of advertising costs incurred by the individual distributors within their responsible provinces. This would preserve the close rapport with the distributors established over the years with mutual beneficial relationship, which is cardinal to the sustainable and long term success of the Group.

APPRECIATION

I would like to record my heartfelt appreciation to all our stakeholders, including our valued customers, distributors and retailers, suppliers, bankers, and all relevant government authorities for your steadfast support all these years.

I would like to express my utmost gratitude to our dedicated management team and committed employees for their loyalty, hard work and commitment to excellence. The success of the Group would certainly not be possible without their relentless contribution and efforts.

Last but not least, my deep gratitude to our valued shareholders for your confidence in XiDeLang Group. We would continue to discharge the stewardship responsibilities pledged with us with full commitments, and lead XiDeLang to new heights of excellence with the ultimate aim of creating strong shareholder value.

Thanks, from the bottom of my heart.

Ding PengPeng

Managing Director/Chief Executive Officer



Profile of the Board of Directors



Ding LiHong

(Aged 39 – Citizen of PRC)
Executive Chairman

Ms. Ding LiHong is the co-founder and Executive Chairman of XiDeLang Group (“the Group”). As the co-founder and Executive Chairman of the Group, she has been instrumental in the growth and success of the Group. With 18 years of experience in the sports shoe 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 sports shoe industry when she established Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd (“HongPeng Footwear”) together with the Managing Director and Chief Executive Officer (“CEO”) of the Group, Mr. Ding PengPeng. During that time, HongPeng Footwear was initially a manufacturer of casual sports shoes. However, under her management, the Group has since grown to become a reputable and established player in sports shoes, apparel, sports accessories and equipment in PRC. She is also recognised for her contribution in the growth and development of the “XiDeLang” brand, which has successfully attained numerous awards and recognition from various authorities.

She is a 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, Vice President of Jinjiang Footwear Association, Executive Director of Quanzhou Footwear Association, Honorary Chairman of Junior Chamber of Commerce of Chendai, Jinjiang, PRC.

She was appointed to the Board on 5 May 2009.

Ms. Ding is the sister of Mr. Ding PengPeng and Ms. Ding PengWan, the Managing Director/CEO and Executive Director/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 other than disclosure under Additional Corporate Disclosures (Recurrent Related Party Transactions) which appears on page 39 in this Annual Report.

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

She attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2011.

Profile of the Board of Directors



Ding PengPeng

(Aged 37 – Citizen of PRC)
Managing Director / CEO

Mr. Ding PengPeng is the co-founder, Managing Director and CEO of the Group. His vision, strong business acumen and proactive management have contributed significantly to the growth and development of the Group. He has accumulated approximately 18 years of marketing and management experience in the sports shoe industry where he started his career in 1993, when he established HongPeng Footwear together with the Executive Chairman, Ms. Ding LiHong.

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

He also acts as the Executive Vice President of the Junior Chamber of Commerce of Chendai, JinJiang, PRC.

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

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

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

He does not have any conflict of interest with the Company, other than disclosure under Additional Corporate Disclosures (Recurrent Related Party Transactions) which appears on page 39 in this Annual Report.

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

He attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2011.

Profile of the Board of Directors



Ding PengWan

(Aged 35 – Citizen of PRC)
Executive Director / COO

Ms. Ding PengWan was first appointed to the Board on 21 July 2009. 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 and is currently responsible for overseeing the overall operations and management functions of the Group.

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

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

She does not have any conflict of interest with the Company, other than disclosure under Additional Corporate Disclosures (Recurrent Related Party Transactions) which appears on page 39 in this Annual Report.

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

She attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2011.



Wong Yoke Nyen

(Aged 53 – Malaysian)
Independent Non-Executive Director

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

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

He also serves as an Independent Non-Executive Director of New Hoong Fatt Holdings Berhad, Benalec Holdings Berhad and Focus Lumber Berhad.

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

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

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

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

He attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2011.

Profile of the Board of Directors



Zhu GuoHe

*(Aged 42 – Citizen of PRC)
Independent Non-Executive Director*

Mr. Zhu GuoHe graduated from Huaqiao University in 1994 with an Advanced Diploma in Electrical Automation Technology and subsequently obtained a Master of Business Administration (MBA) from Preston University, United States in August 2010.

He is an entrepreneur with more than 15 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 two (2) other advertising firms in the PRC, namely Xiamen Shengshi Tianyuan Media Co., Ltd. and Zhongwang Tianyuan Brand Planning (Beijing) Co., Ltd.

Under his management and leadership, his advertising agencies have grown rapidly to become one of the leading brand creation and integrators in the PRC. His agencies provide advisory services to leading PRC sports goods companies such as Jordan (China) Co., Ltd., 361° (China) Co., Ltd., XiDeLang, Kangta and the Chinese Basketball Association. He has been instrumental in assisting to establish the “XiDeLang” brand as well as other prominent sports brands in China.

He has received numerous awards in China, including “China’s Top Ten Sports Brand Planning Expert” in 2005, “China’s Outstanding Sports Brand Planning Expert” in 2008 and “China’s Top Ten Marketing Planning Expert” in 2009.

He is currently an adjunct lecturer at the Quanzhou Normal University and an executive director of both the Xiamen Honesty Promotion Association and Quanzhou Honesty Promotion Association.

He was first appointed to the Board on 18 August 2009. He also serves as the Chairman of the Nomination Committee and the member of the Audit Committee and Remuneration Committee.

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

Mr. Zhu is also an Independent Non-Executive Director of Flyke International Holdings Ltd, a public listed company in Hong Kong.

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

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

He attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2011.

Profile of the Board of Directors



Woon Yeow Thong

(Aged 46 – Malaysian)
Independent Non-Executive Director

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

He is the founder of Messrs Woon & Co., Advocates & Solicitors, and has been in active legal practice for almost 20 years, specialising in commercial and corporate litigation, in particular corporate insolvency and restructuring.

He is presently the Secretary for the current 2012/2013 term of the Malaysian Bar Council, which is the statutory governing body of the legal profession in Malaysia which represents all the (approximately 12,000) advocates and solicitors engaged in legal practice throughout Malaysia.

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

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

He 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 ten (10) years, he has not been convicted of any offence.

He attended all the five (5) Board Meetings of the Company held during the financial year ended 31 December 2011.

Year	Awards and accreditations	Awarded by
2011	Asia's 200 Best under a Billion	Forbes Asia Magazine
2011	Industry Elites Evaluation Activities - "BoLe Award" (中国品牌之都产业精英评选活动 – 伯乐奖)	People's Government of Jinjiang City (晋江市人民政府)
2010	Hundred Best Caring for Staff Enterprises (中国品牌之都关爱员工百佳企业)	People's Government of Jinjiang City (晋江市人民政府)
2009	No. 1 spot for Jinjiang Top 10 Most Growth for Sports and Leisure Brand (晋江十大最具成长性运动休闲品牌榜首)	Jinjiang Economy News, Market Economy Academy, Peking University - Private Institute of Economic Research (晋江经济报, 北京大学民营经济研究院)
2008	Famous Brand Product of Fujian Province (福建名牌产品)	People's Government of Fujian Province (福建省人民政府)
2007	Fujian Famous Brand (福建省著名商标)	Fujian Administration for Industry and Commerce (福建省工商行政管理局)
2006	2003 - 2005 Advanced Enterprise in Famous Brand Creation (2003 – 2005 年度创名牌)	People's Government of Quanzhou Municipality (泉州市人民政府)
2006	Well-known Mark of China (中国驰名商标)	Jiangxi Province Fuzhou City Intermediate People's Court (江西省抚州市中级人民法院)
2005	2005 China Sports Brand – Fengyun Top 100 Outstanding Enterprise (2005 年中国体育品牌风云100榜优秀企业)	Organising Committee of 2005 China Sports Brand Fengyun Top 100 (2005中国体育品牌风云榜暨领袖年会)
2005	2005 Sports Fengyun Most Favourite Brand (2005中国体育品牌风云榜暨领袖年会 – 大众最爱 品牌奖)	2005 China Sports Brand Fengyun Top 100 Committee (2005中国体育品牌风云榜暨领袖年会)
2004	Fujian Famous Brand (福建省著名商标)	Fujian Well-known Trademark Certification Committee (福建省著名商标认定委员会)
2003	Renowned Trademark of Quanzhou (泉州市知名商标)	Quanzhou Commission of Renowned Trademark Recognition (泉州市知名商标认定委员会)
2003	Gold Prize – the Fifth Jinjiang Footwear (International) Exposition (第五届晋江国际鞋业博览会 – 产品金奖)	Organising Committee, the Fifth Jinjiang Footwear (International) Exposition (晋江国际鞋业博览会组委会)

Statement on Corporate Governance

The Board of Directors of XiDeLang Holdings Ltd ("The Board") takes cognizance of the importance of good corporate governance to the success of XiDeLang Group ("The Group"). In line with this, the Board is fully committed in ensuring that the principles and best practices advocated therein by the Malaysian Code on Corporate Governance ("The Code") are observed and practised throughout the Group as a fundamental part of discharging its responsibilities to safeguard the stakeholders' interests and to enhance the shareholders' value.

The ensuing paragraphs describe the extent of how the Group has applied and complied with the principles and best practices set out in the Code for the financial year ended 31 December 2011.

DIRECTORS

a) Principal Responsibilities of the Board

An effective Board leads and controls the Group whereby collective decision and/or close monitoring are conducted on issues relating to strategy, performance, resource allocation, standards of conduct and financial matters.

The Board is responsible to establish the overall strategic objectives of the Group, deliberating and directing strategic action plans and policies and strategic allocation of the Group's resources to align with the overall objectives of the Group. The focuses of the Board mainly comprised formulation of strategies, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of internal control system, succession planning, as well as development of investor relations programme and shareholders' policy.

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

The Independent Non-Executive Directors exercise with professional competence, take an independence 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.

b) Board Composition and Balance

The Board recognises that a strong independent element of the Board is essential to ensure a balance of power and authority. The roles and responsibilities of the Chairman and Managing Director/CEO are made clearly distinct to further enhance and preserve a balance of authority and accountability.

The Chairman provides overall leadership to the Board, without comprising the principle of collective responsibility for Board's decisions, while the Managing Director/CEO focuses primarily on formulation and implementation of business strategies, oversees the implementation of the Board's decision and policies, as well as supervises the day to day management and running of the Group.

In 2011, the Board is led by six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. To ensure an effective and independent supervision, all the Independent Non-Executive Directors in office are independent of the Management and majority shareholders and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The functions of Executive and Non-Executive Directors are distinguished and clearly defined. The presence of the Independent Non-Executive Directors ensures that issues pertaining to strategies, performance and resources allocation proposed by the Management (led by the Executive Directors) are objectively evaluated, taking into consideration the interests of shareholders and relevant stakeholders of the Group. The Independent Non-Executive Directors communicate with Management and with the Internal and External Auditors to address matters concerning management and oversight of the Group's operations.

Statement on Corporate Governance

The three (3) Independent Non-Executive Directors by virtue of their duties and representations in the various Board committees ensure that the investment of minority shareholders is fairly reflected and adequately safeguarded.

Collectively, the Directors offer an effective mix and wide range of business, legal, financial and technical expertise and experience to the Group. A brief profile of each Director is presented on page 16 to 20 of this Annual Report.

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. The Board opines that any concerns should not be just directed to a single director, and it would be more effective that the Board contemplates any concerns conveyed collectively. Hence, the appointment of Senior Independent Non-Executive Director to whom concerns may be conveyed is considered not necessary at this juncture.

c) Board Meeting & Supply of Information

The Board holds regular meetings on quarterly basis, and additional meetings may be convened to resolve any major and ad hoc matters requiring immediate attention. During the financial year ended 31 December 2011, five (5) meetings have been convened.

Details of attendance of Directors at Board meetings are as follows:

<u>Executive Directors</u>	<u>Attendance of Meeting</u>
Ding LiHong	5/5
Ding PengPeng	5/5
Ding PengWan	5/5
 <u>Non-Executive Directors</u>	
Wong Yoke Nyen	5/5
Woon Yeow Thong	5/5
Zhu GuoHe	5/5

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

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.

d) Appointment & Re-election of Directors

The Code endorses, as good practice, the setting up of a Nomination Committee to formalise procedures for appointments to the Board. Although the Code states that this procedure may be performed by the Board as a whole, as a matter of best practice, it recommends that this responsibility be delegated to a committee.

The Nomination Committee, all of whom are Independent Non-Executive Directors, is charged with the responsibility of, inter alia, recommending to the Board the appointment of new Directors and committee members, with regard to the Directors' contribution and performance, as well as reviewing on annual basis the appropriate balance and size of non-executive participation. This requires a review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to the

Statement on Corporate Governance

Board in order for the Board to function effectively. The Board as a whole makes all decisions on appointments after considering the recommendations of the Nomination Committee.

The Nomination Committee comprised the following members:

Chairman : Zhu GuoHe
Independent Non-Executive Director

Members : Wong Yoke Nyen
Independent Non-Executive Director

Woon Yeow Thong
Independent Non-Executive Director

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.

e) Directors' Training

All the Directors of the Company have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") for Directors of Public Listed Companies.

During the financial year, one of our Directors, Wong Yoke Nyen has attended the "Corporate Directors Training Programme" held on 8 August 2011 by Suruhanjaya Syarikat Malaysia. Moving forward, other Directors would continue to identify and participate in appropriate training programme.

The Board supports the need for its members to update and keep themselves abreast with the developments in the economy and changes in the relevant industry and business environment. They are kept acquainted of the new statutory and regulatory requirements relating to their duties and responsibilities as Directors.

DIRECTORS' REMUNERATION

a) The Level and Make-up of Remuneration

The Board has established a Remuneration Committee whose members are majority Non-Executive Directors. Members of the Remuneration Committee are:-

Chairman : Woon Yeow Thong
Independent Non-Executive Director

Members : Ding PengPeng
Managing Director/CEO

Wong Yoke Nyen
Independent Non-Executive Director

ZhuGuoHe
Independent Non-Executive Director

The objective of the Group's remuneration policy is to attract, retain and motivate the Directors to lead and control the Group effectively.

Statement on Corporate Governance

For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

b) Procedure

The Remuneration Committee recommends for the Board's approval, the framework of the Executive Directors' remuneration package and terms of employment.

The determination of the remuneration package of Non-Executive Directors is a matter for the Board as a whole. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

c) Disclosure

The details of the remuneration of Directors for the financial year ended 31 December 2011 are as follows:

Directors	Directors Fees RM	Emoluments RM	Total RM
Executive Directors	–	1,151,510	1,151,510
Non-Executive Directors	148,302	48,000	196,302
Grand Total	148,302	1,199,510	1,347,812

Pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Securities, the aggregate remuneration of Directors are set out in applicable bands of RM50,000 as follow:

Directors	Executive Directors	Non-Executive Directors
RM50,000 and below	–	1
RM50,001 – RM100,000	–	2
RM100,001 – RM150,000	1	–
RM500,001 – RM550,000	2	–

Whilst the Code prescribes for disclosure of Directors' remuneration on individual basis, the Board is of the opinion that transparency and accountability principles of the Code in relation to Directors' remuneration are appropriately and adequately addressed by disclosure on band basis.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

a) Dialogue Between the Company and Investors

The Board recognises the importance of an active and constructive communication policy that enables effective communication 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 well informed of the Group's activities and performance to enable them to make own evaluation and investment decision.

Annual reports, press releases, various disclosures and announcements lodged with Bursa Securities including quarterly results and annual results, which are available for online internet access by the public, are the primary modes of disseminating information on the Group's business activities and financial performance.

Statement on Corporate Governance

Meetings and interviews are conducted with financial analysts, institutional fund managers and press media to provide equal opportunity of access for other shareholders and general public at large to gain material information and facts pertaining to the Group's operations and performance.

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

b) AGM

The AGM represents the principal forum for dialogue and interaction with shareholders. At every meeting, the Board sets out the progress and performance of the Group since the last meeting held. The Company is looking forward to solicit feedbacks and views from its shareholders and answer shareholders' question on all issues relevant to the Company at the AGM. The notice of the AGM and related papers will be forwarded to shareholders with adequate time notice before the meeting. All shareholders are invited and encouraged to attend the Company's AGM and to actively participate in the proceedings by posting questions on the proposed resolutions and to seek clarification on the Group's business and performance.

While the Company strives to provide as much information as possible to its shareholders and stakeholders, it is always mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to shareholders, the Board takes responsibility in conveying a balanced and understandable assessment of the Group's position and prospects.

The Board, with the assistance of the Audit Committee, takes due care and reasonable steps to ensure that the financial results are released to the shareholders and the general public timely and the financial statements are presented with accuracy and adequacy and comply with regulatory reporting requirements and applicable approved financial reporting standards.

b) Internal Control

The Board recognises the importance of sound internal controls, which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

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

Further information and overview of the state of internal controls within the Group is disclosed under the "Statement on Internal Control" section in this Annual Report.

c) Relationship with Auditors

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

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

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

RESPONSIBILITY STATEMENT BY THE BOARD

In the course of preparing the annual financial statements for the Group and the Company, the Directors reaffirms that they are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable approved Financial Reporting Standards in Malaysia and the Main Market Listing Requirements of Bursa Securities, and that the financial statements give a true and fair view of the state of affairs of the Group at the end of the financial year and of the results of the operations and of the cash flows of the Group for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted the applicable approved Financial Reporting Standards in Malaysia;
- 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.

COMPLIANCE WITH THE BEST PRACTICES

Except for the non-disclosure of individual Director's remunerations and the appointment of Senior Independent Non-Executive Director, the Board believes that all material aspects of the Best Practices set out in Part 2 of the Code have been complied with during the financial year.

Audit Committee Report

COMMITTEE

Wong Yoke Nyen

Chairman / Independent Non-Executive Director

Zhu GuoHe

Member / Independent Non-Executive Director

Woon Yeow Thong

Member / Independent Non-Executive Director

1. COMPOSITION AND TERMS OF REFERENCE

1.1 Composition

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

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

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

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

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

1.2 Responsibilities and Duties

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

- (1) Recommend to the Board on the appointment and re-appointment of the External Auditors and their audit fee, after taking into consideration the independence and objectivity of the External Auditors and the cost effectiveness of the audit;
- (2) Discuss with the External Auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (3) Review the following and report the same to the Board:
 - (i) with the External Auditors, the audit plan;
 - (ii) with the External Auditors, their audit report;
 - (iii) the assistance given by the employees of the Company and of the Group to the External Auditors and the Internal Auditors;
 - (iv) External Auditors' management letter and management's responses thereto;
 - (v) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the External Auditors;
 - (vi) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions and management integrity;
 - (vii) any letter of resignation from the External Auditors and questions of resignation or dismissal; and
 - (viii) whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for reappointment;
- (4) Review the quarterly and year-end financial statements of the Company and of the Group, prior to the approval of the Board, focusing on:
 - (i) any changes in accounting policies and practices;
 - (ii) significant adjustments arising from the audit;
 - (iii) any other significant and unusual events;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirement;
- (5) Discuss problems and reservations arising from interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- (6) Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Code, other applicable laws, rules, directives and guidelines;
- (7) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;

Audit Committee Report

- (8) Assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks;
- (9) With respect to the internal audit function:
 - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
 - (iv) approve any appointment or termination of members of the internal audit function;
 - (v) take cognisance of resignations of members of internal audit function and provide an opportunity for members to submit reasons for resigning; and
 - (vi) to consider the major findings of internal investigations and management's responses;
- (10) Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- (11) Consider and examine any other matters as defined by the Board.

1.3 Authority

The Audit Committee is authorised by the Board to:

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

2. NUMBER OF MEETING AND SUMMARY OF ACTIVITIES

2.1 Number of Meeting and Details of Attendance

During the financial year, five (5) meetings were held and details of attendance of each member are as follows:

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

2.2 Summary of Activities

In line with the Terms of Reference of the Audit Committee, during the financial year ended 31 December 2011, the activities of the Audit Committee include:

- Reviewed audited financial statements and quarterly unaudited financial results prior to announcements and before they were approved by the Board to ensure the Group is in compliance with accounting standards and legal and regulatory requirements;
- Reviewed with the External Auditors the audit plan, results of the audit, the audit report and management letter including Management's response to the findings of the External Auditors, as well as new developments on accounting standards and regulatory requirements;
- Considered the re-appointment of External Auditors and their remunerations;
- Reviewed the audit plan and scope of internal audit work and the internal audit reports, findings, recommendations and Management's response;
- Reviewed the related party transactions entered into by the Group;
- Reviewed the report of the corporate governance review and communicate with the Board to deliberate on appropriate improvement plans and actions;
- Reviewed any significant or unusual events; and
- Met twice with the External Auditors without the presence of the Executive Directors and Management where it was confirmed that full assistance was given by Management and employees and there was no restriction to the scope of audit.

Audit Committee Report

3. INTERNAL AUDIT FUNCTION

An external professional firm has been engaged to carry out the internal audit function for financial year ended 31 December 2011. The Internal Auditors report directly to the Audit Committee.

The main role of the internal audit function is to review the effectiveness of the Group's systems on internal control and this is performed with impartiality, proficiency and due professional care.

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

During the year, the internal audit function conducted risk based audit of the Group's operating divisions including its subsidiaries by reviewing the Group's business activities and processes to ensure compliance with internal control procedures, highlighting control weaknesses and proposing appropriate recommendations towards improving and strengthening of controls.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2011 was RM 66,000 (2010: RM 44,000).

Statement on Internal Control

BOARD RESPONSIBILITIES

The Board is committed to the continuous improvement of internal controls and risk management practices within the Group to meet its business objectives. The Board affirms its overall responsibilities for the effectiveness of the Group's system of internal controls and risk management, which should encompass financial, operational and compliance controls as well as risk assessment and communication frameworks, and for reviewing the adequacy and integrity of the system of internal controls to safeguard shareholders' investment, stakeholders' interest and the Group's assets.

The system of internal controls is primarily designed to manage principal risks faced by the Group within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives of the Group. Accordingly, it should be noted that such system is designed to provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognises that risk management is a vital and integral part of the business operations. As part of the management stewardship responsibilities, the management is responsible to identify and evaluate significant risks faced by the Group on regular basis and communicates such risks to the Board at their review meetings. The present process of identifying and addressing the risk is conducted informally by the management for the current financial year under review. The Board recognises the importance of effective and on-going risk monitoring framework to the Group's operations and on-going initiatives will be taken to ensure that the Group has an approved Risk Management Framework in place to measure and manage the significant risks affecting the achievement of its business objectives.

INTERNAL CONTROL SYSTEM

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

- **Control Environment**

The Executive Directors actively participate on the day-to-day affairs of the Group, with regular discussions and meetings conducted with the management team 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 enhance the awareness on the importance of a proper internal control system throughout the organisation.

- **Control Structure**

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

The Board reviews and monitors the performance of the Group on regular intervals, with Board meetings conducted for quarterly financial reviews.

On behalf of the Board, the Audit Committee is tasked to review internal control issues identified and evaluate the adequacy and effectiveness of the Group's prevailing risk management and internal control systems; as well as holds discussion with the management to deliberate appropriate action plans in addressing the identified internal control issues.

Statement on Internal Control

An external professional firm has been engaged by the Board to carry out the internal audit function for the financial year under review. The internal audit function will report directly to the Audit Committee and is responsible to assist the Group in evaluating and improving the effectiveness of internal control systems and highlight any significant risk and issues that may cause adverse impact on the Group. The internal audit will focus on the key operational processes in PRC. The proposed internal audit strategy will be submitted to the Audit Committee for consideration and approval each year.

The Audit Committee is responsible to review and discuss with the Management on the issues highlighted by the internal auditors, whenever necessary.

CONCLUSION

The Board reaffirms the importance of a proper internal control system and is continually taking measures to strengthen the control environment within the Group. During the current financial year, there were no material losses incurred as a result of weaknesses in internal control.



Additional Corporate Disclosure

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

(I) Initial Public Offering ("IPO")

On 11 November 2009, the Company completed its IPO exercise and the entire enlarged issued and paid-up share capital of the Company comprising 400,000,000 ordinary shares of USD0.10 each was listed on the Main Market of Bursa Securities.

In conjunction with, and as an integral part of the listing, the Company undertook a public issue of 100,000,000 ordinary shares of USD0.10 each at the issue price of RM0.58. Relevant details on the IPO exercise are set out in the Prospectus issued by the Company on 23 October 2009.

• Utilisation of Proceeds from Public Issue

The gross proceeds that had been raised from the public issue of RM58 million and its status of utilisation as at the balance sheet date are as follows:

Purpose	Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	%	Remark
i) Advertising and branding	Within 12 months	9,200	9,200	—	—	—
ii) Expansion of marketing and distribution network	Within 12 months	18,400	18,400	—	—	—
iii) Research and extension of product portfolio	Within 12 months	2,300	2,300	—	—	—
iv) Expansion of production capacity	Within 12 months	16,100	16,100	—	—	—
v) Working capital	On-going	4,000	4,350	(350)	(9)	N1
vi) Estimated listing expenses	Immediate	8,000	7,650	350	4	N1
		58,000	58,000	—		

N1 The total listing and share issue expenses were RM7.65 million. The excess of RM350,000 as compared to budget of RM8.00 million was utilised for working capital purpose.

(II) Private Placement 2011

On 9 December 2010, the Company proposed to undertake a private placement of up to 40,000,000 new ordinary shares of US\$0.10 each in the Company ("Placement Shares"), representing up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement"). Conditional approval was obtained from Bursa Securities on 27 December 2010 and the relevant announcement had been made on 28 December 2010.

On 19 January 2011, the Company completed the listing and quotation of the first tranche of the Private Placement, which comprising 20,000,000 Placement Shares issued at an issue price of RM0.48 per Placement Share.

Additional Corporate Disclosure

On 8 February 2011, the Company completed listing and quotation of the second and final tranche of the Private Placement, which comprising 19,999,900 Placement Shares issued at an issue price of RM0.48 per Placement Share.

The Private Placement was deemed completed on 8 February 2011. The net proceeds raised were fully utilised for working capital purpose.

(III) Private Placement 2012

- On 18 January 2012, the Board of Directors have proposed to undertake a private placement of up to 43,999,990 new ordinary shares of US\$0.10 each in the Company ("Placement Shares"), representing up to ten percent (10%) of the total issued and paid-up share capital of the Company (inclusive of treasury shares) ("Proposed Private Placement 2012")
- On 31 January 2012, the Company has obtained the conditional approval from Bursa Securities for the listing and quotation of up to 43,999,990 Shares to be issued pursuant to the Proposed Private Placement 2012.
- On 14 February 2012, the Board of Directors has fixed an issue price of RM0.40 per Placement Share for the first tranche of the private placement, comprising 39,000,000 Placement Shares.
- On 22 February 2012, the Company completed the listing and quotation of the first tranche of the Proposed Private Placement 2012, comprising 39,000,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.
- On 28 February 2012, the Board of Directors has fixed an issue price of RM0.40 per Placement Share for the second and final tranche of the private placement, comprising 4,999,000 Placement Shares.
- The Private Placement was deemed completed on 2 March 2012. Total proceeds of RM17,599,600 was raised from the Private Placement 2012, intended to be utilised for the purchase of machinery for new design and production ("D&P") center of the Group and to defray the estimated expenses for the Private Placement 2012.

(IV) Proposed Right Issue of Warrants

- On 18 January 2012, the Board of Directors have proposed to undertake a renounceable rights issue of up to 241,999,945 warrants in the Company ("Warrant[s]") (after the Proposed Private Placement 2012), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing Shares held by the entitled shareholders of the Company on the same Entitlement Date as the Proposed Bonus Issue ("Proposed Right Issue of Warrants").
- Approval has been obtained from shareholders in relation to the Proposed Right Issue of Warrants at the Special General Meeting held on 13 March 2012.
- On 13 March 2012, the Board of Directors has resolved to fix the exercise price of the Warrants at RM0.35 each.
- On 15 March 2012, the Board of Directors has determined the Entitlement Date for the Warrants to be on 29 March 2012 at 5.00 p.m.
- The Proposed Right Issue of Warrants is deemed to be completed on 30 April 2012, following the listing of the 241,998,950 Warrants on the Main Market of Bursa Securities. Total proceeds of RM12,099,948 was raised.

The gross proceeds of RM29.7 million that had been raised from the Private Placement 2012 and Right Issue of Warrants and its status of utilisation up to 30 April 2012 are as follows:

Purpose	Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	%	
i) Purchase machinery and equipment for new design and production centre	Within 18 months	29,100	4,260	24,840	85	N1
ii) Estimated expenses in relation to the Proposals	Immediate	600	400	200	33	N1
		29,700	4,660	25,040		

N1 The remaining unutilised portions are expected to be applied in subsequent periods within the stipulated timeframe.

2. SHARE BUY-BACK

There was no share buy-back during the financial year under review.

3. OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities issued to any parties during the financial year under review. On 30 April 2012, the Company has issued 241,998,950 Warrants to its Shareholders.

4. DEPOSITORY RECEIPT PROGRAMME

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

5. SANCTIONS AND / OR PENALTIES

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

6. NON-AUDIT FEES

There were no non-audit services rendered to the Company and the Group by the External Auditors, BDO (or its member firms) during the financial year under review.

7. VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced.

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

Additional Corporate Disclosure

8. PROFIT GUARANTEE

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

9. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There was no material contracts entered into by the Company and its subsidiaries which involve the directors' and major shareholders' interests during the financial year.

10. CONTRACT RELATING TO LOAN BY THE COMPANY

There is no contract relating to loan by the Company.

11. CONFLICT OF INTEREST WITH THE COMPANY

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



12. RECURRENT RELATED PARTY TRANSACTIONS

On 24 June 2011, the Company obtained approval from the Shareholders of the Company to enter into Recurrent Related Party Transactions (“RRPT”) of revenue or trading nature with persons who are considered to be a “Related Party” as defined in the MMLR.

Details of the RRPT during the financial year ended 31 December 2011 are as follows:

Transacting Parties	Interested Related Parties	Nature of Transactions	Actual Value Transacted During The Financial Year
HongPeng (Fujian) and DLH	<i>Interested Directors</i> • DLH • DPP • DPW <i>Interested Major Shareholder</i> • DPP <i>Interested Person Connected</i> • DJX	Lease of office / factory building on Yang Guang East Road, Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC on monthly basis.	RMB1,372,800/ RM647,550^
HongPeng (Fujian) and DLH	<i>Interested Directors</i> • DLH • DPP • DPW <i>Interested Major Shareholder</i> • DPP <i>Interested Person Connected</i> • DJX	Lease of employee dormitory building on Yang Guang East Road, Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC on monthly basis.	RMB236,640/ RM111,623^
HongPeng (Fujian) and DLH	<i>Interested Directors</i> • DLH • DPP • DPW <i>Interested Major Shareholder</i> • DPP <i>Interested Person Connected</i> • DJX	Lease of employee dormitory building on No. 81, Qi Yi Road, Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC on monthly basis.	RMB324,000/ RM152,831^
HongPeng (Fujian) and DPP and DJX	<i>Interested Directors</i> • DLH • DPP • DPW <i>Interested Major Shareholder</i> • DPP <i>Interested Person Connected</i> • DJX	Lease of office / factory building on No. 81, Qi Yi Road, Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC on monthly basis.	RMB667,800/ RM315,001^

Additional Corporate Disclosure

^ Based on the average exchange rate of RMB1: RM0.4717

Explanatory Notes:-

- DLH refers to Ding LiHong
 - DPP refers to Ding PengPeng
 - DPW refers to Ding PengWan
 - DJX refers to Ding JiaXing
- (1) HongPeng (Fujian) is a wholly-owned subsidiary of Hong Kong XinYuanChan International Holding Co., Limited, which in turn is wholly-owned by XiDeLang.
 - (2) DLH is the Executive Chairman of the Company. DLH, DPP and DPW are siblings.
 - (3) DPP is the Managing Director/CEO and a Major Shareholder of the Company.
 - (4) DPW is the Executive Director/COO of the Company.
 - (5) DJX is the father of DLH, DPP and DPW, thus, is a person connected to DLH, DPP and DPW.



14. CORPORATE SOCIAL RESPONSIBILITY

- **Community**

It is the fundamental belief of the Group that well-doing of the society is vital for the continuous and long term success of the Group. To this end, the Group upholds a strict adherence to the local tax regulations and ensure prompt payments are made.

In addition to that, the Group remains vigilance towards any changes in the laws and regulations to ensure applicable laws and regulations are complied with at all times. To date, the Group do not involve in any significant litigations, arbitration or claims. The Group endeavours to uphold strict compliance with all relevant laws and regulations to promote a healthy and positive corporate image believing that this would share some effects on introducing ethical values and practices within the society.

Recognising that educated young generations would be the pillars to support the Group's long term development and success, our Group has volitionally sponsored RMB1.0 million to a local primary school as funding for the reconstruction of the school premises.

- **Marketplace**

It is the fundamental policy of the Group that all final products to be sold in the market must be hazardless to be used and fulfil the customers' expectation in terms of quality. To this end, the Group adopts stringent quality control in the manufacturing process for quality assurance. This is corroborated with the ISO 9001:2000 Quality Management System attained by the Group. The Group upholds the belief that consumer rights should be preserved at all times and is on continuous endeavours to create value-for-money for the customers.

In addition to that, the Group fosters a close collaboration with the appointed distributors (immediate customer of the 'XiDeLang' products). The Group organises product launching and sales conferences periodically, with the aim to create a platform for cross-sharing of knowledge and experience with and among the distributors, and to gather feedbacks for future improvements. Apart from that, subsidies are provided to qualified distributors for opening of new outlets to encourage continuous expansion of the distributors. The Group believes that such arrangement not only brings mutual growth, but also creates additional employment opportunities.

- **Workplace**

The Group recognises the contributions and importance of the workforce, being cardinal to the Group's operations. To this end, the Group upholds the policy that production floor should at all times be maintained clean and orderly-organised, in order to create a safe workplace and a pleasant environment to the workforce.

In addition to that, the Group also arranges for a canteen within the factory compound for the convenience of the employees and accommodation for outstation workers at subsidised rate as staff welfare.

- **Environment**

The Group pays close attention on environmental protection. To this end, the Group's manufacturing process is monitored to ensure that no hazardous waste is created that would cause significant pollution and damage to the environment.

Waste created by the Group's manufacturing operations primarily comprised off-cuts in the process of constructing the bottom part of the shoe. To this end, the Group adopts careful waste-handling procedures where the wastes are being gathered and subsequently forwarded to waste collection centres for proper disposal to avoid contaminating surrounding public areas.

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Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	88,639,619	(710,375)

DIVIDENDS

Dividends paid since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2010: Final tax exempt dividend of 1 sen per ordinary share, paid on 5 September 2011.	4,399,989

The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM139,438,000 to RM151,660,000 by way of issuance of 39,999,900 ordinary shares ("Placement Shares") at an issue price of RM0.48 per placement share.

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

Directors' Report

DIRECTORS

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

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

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year and his beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2011 as recorded in the Register of Directors' Shareholdings kept by the Company were as follows:

<---- Number of ordinary shares of USD0.10 each ---->				
Balance as at 1.1.2011	Bought	Sold	Balance as at 31.12.2011	

Shares in the Company

Indirect interests:				
Ding PengPeng*	240,000,000	2,600,000	–	242,600,000

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions entered into in the ordinary course of business as disclosed in Note 23 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

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

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

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

(III) AS AT THE DATE OF THIS REPORT

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

Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 19 January 2011, the Company completed the listing and quotation of the first tranche of the private placement, which comprising 20,000,000 Placement Shares issued at an issue price of RM0.48 per Placement Share.

On 8 February 2011, the Company completed listing and quotation of the second and final tranche of the private placement, which comprising 19,999,900 Placement Shares issued at an issue price of RM0.48 per Placement Share.

Net proceeds raised from the above private placements were utilised for working capital purpose.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 22 February 2012, the Company completed the listing and quotation of a private placement, which comprised 39,000,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.

On 1 March 2012, the Company completed the listing and quotation of another private placement, which comprised 4,999,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.

On 15 March 2012, the Company announced on the following:

- (i) Bonus issue of 241,998,950 new ordinary shares of US\$0.10 each in the Company ("Bonus Shares"), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing ordinary shares held in the Company at 5.00 pm on 29 March 2012.
- (ii) Renounceable rights issue of 241,998,950 warrants in the Company ("Warrant(s)"), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares held in the Company at 5.00 pm on 29 March 2012.

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

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

Ding PengPeng
Director

Ding LiHong
Director

Jinjiang City, Peoples' Republic of China
Date: 27 April 2012

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 49 to 109 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Ding PengPeng
Director

Ding LiHong
Director

Jinjiang City, Peoples' Republic of China
Date: 27 April 2012

Statutory Declaration

We, **Ding PengPeng and Lin YingYu**, being the respective Director and Officer primarily responsible for the financial management of XiDeLang Holdings Ltd, do solemnly and sincerely declare that the financial statements set out on pages 49 to 109 are, to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the prevailing laws governing declarations for oaths in China.

Subscribed and solemnly declared by
the abovenamed at Quanzhou,
Peoples' Republic of China this
27 April 2012

Ding PengPeng

Lin YingYu

Before me:

Notary Public

Independent Auditors' Report

to the Members of XiDeLang Holdings Ltd (Incorporated in Bermuda)

Report on the Financial Statements

We have audited the financial statements of XiDeLang Holdings Ltd, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 108.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Other Reporting Responsibilities

The supplementary information set out in Note 32 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
Date: 27 April 2012

Law Kian Huat
2855/06/12 (J)
Chartered Accountant

Statements of Financial Position

as at 31 December 2011

	Note	2011 RM	Group 2010 RM	2011 RM	Company 2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	196,316,159	123,911,585	–	–
Land use rights	8	27,770,473	26,278,534	–	–
Investments in subsidiaries	9	–	–	180,572,996	150,572,996
		224,086,632	150,190,119	180,572,996	150,572,996
Current assets					
Inventories	10	11,659,596	14,083,255	–	–
Trade and other receivables	11	98,919,693	80,872,554	4,479,484	20,258,290
Cash and cash equivalents	13	117,375,092	80,258,597	1,149	146,335
		227,954,381	175,214,406	4,480,633	20,404,625
TOTAL ASSETS		452,041,013	325,404,525	185,053,629	170,977,621
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	151,660,000	139,438,000	151,660,000	139,438,000
Reserves	15	192,762,520	85,137,547	32,617,274	30,902,638
TOTAL EQUITY		344,422,520	224,575,547	184,277,274	170,340,638
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	12(c)	12,563,972	7,379,650	–	–
Current liabilities					
Trade and other payables	16	62,623,242	61,625,771	776,355	636,983
Borrowings	17	20,073,690	19,912,950	–	–
Current tax liabilities	12(b)	12,357,589	11,910,607	–	–
		95,054,521	93,449,328	776,355	636,983
TOTAL LIABILITIES		107,618,493	100,828,978	776,355	636,983
TOTAL EQUITY AND LIABILITIES		452,041,013	325,404,525	185,053,629	170,977,621

These financial statements have been approved by the Board of Directors of the Company on 27 April 2012.

Ding PengPeng
Director

Ding LiHong
Director

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

Statements of Comprehensive Income

for the financial year ended 31 December 2011

	Note	2011 RM	Group 2010 RM	2011 RM	Company 2010 RM
Revenue	18	484,733,086	465,081,448	–	22,011,618
Cost of sales	19	(339,867,226)	(313,919,707)	–	–
Gross profit		144,865,860	151,161,741	–	22,011,618
Other income		4,251,949	319,797	–	–
Distribution costs		(18,525,360)	(32,454,980)	–	–
Administrative and other expenses		(11,465,411)	(10,106,275)	(710,375)	(1,130,257)
Finance costs		(1,624,607)	(2,142,951)	–	–
Profit /(Loss) before tax	20	117,502,431	106,777,332	(710,375)	20,881,361
Tax expense	21	(28,862,812)	(28,864,409)	–	–
Profit /(loss) for the financial year		88,639,619	77,912,923	(710,375)	20,881,361
Other comprehensive income:					
Foreign currency translations		21,744,665	(12,967,057)	–	–
Other comprehensive income, net of tax		21,744,665	(12,967,057)	–	–
Total comprehensive income /(loss)		110,384,284	64,945,866	(710,375)	20,881,361
Profit /(loss) attributable to:					
Owners of the parent		88,639,619	77,912,923	(710,375)	20,881,361
Total comprehensive income /(loss) attributable to:					
Owners of the parent		110,384,284	64,945,866	(710,375)	20,881,361
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	26	13.52	12.99		

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2011

		< ----- Non-distributable ----- >					Distributable	
Note	Share capital RM	Share premium RM	Statutory surplus reserves RM	Merger deficit RM	Exchange translation reserve RM	Treasury shares RM	Retained earnings RM	Total equity RM
Group								
Balance at 31 December 2009	139,438,000	21,776,200	3,827,029	(105,568,460)	(2,305,378)	-	115,842,405	173,009,796
Profit for the financial year	-	-	-	-	-	-	77,912,923	77,912,923
Foreign currency translations	-	-	-	-	(12,967,057)	-	-	(12,967,057)
Total comprehensive income	-	-	-	-	(12,967,057)	-	77,912,923	64,945,866
Transactions with owners								
Repurchase of shares	15(d)	-	-	-	-	(480)	-	(480)
Deferred tax arising from undistributed profits of the PRC subsidiaries	12(c)	-	-	-	-	-	(7,379,650)	(7,379,650)
Transfer to statutory surplus reserves		-	-	8,199,094	-	-	(8,199,094)	-
Dividend paid	27	-	-	-	-	-	(5,999,985)	(5,999,985)
Total transactions with owners		-	-	8,199,094	-	(480)	(21,578,729)	(13,380,115)
Balance at 31 December 2010	139,438,000	21,776,200	12,026,123	(105,568,460)	(15,272,435)	(480)	172,176,599	224,575,547

		< ----- Non-distributable ----- >					Distributable	
Note	Share capital RM	Share premium RM	Statutory surplus reserves RM	Merger deficit RM	Exchange translation reserve RM	Treasury shares RM	Retained earnings RM	Total equity RM
Group								
Balance at 31 December 2010	139,438,000	21,776,200	12,026,123	(105,568,460)	(15,272,435)	(480)	172,176,599	224,575,547
Profit for the financial year	-	-	-	-	-	-	88,639,619	88,639,619
Foreign currency translations	-	-	-	-	21,744,665	-	-	21,744,665
Total comprehensive income	-	-	-	-	21,744,665	-	88,639,619	110,384,284
Transactions with owners								
Issue of new shares	14	12,222,000	6,977,952	-	-	-	-	19,199,952
Shares issue expenses		-	(152,952)	-	-	-	-	(152,952)
Deferred tax arising from undistributed profits of the PRC subsidiaries	12(c)	-	-	-	-	-	(5,184,322)	(5,184,322)
Dividend paid	27	-	-	-	-	-	(4,399,989)	(4,399,989)
Total transactions with owners		12,222,000	6,825,000	-	-	-	(9,584,311)	9,462,689
Balance at 31 December 2011	151,660,000	28,601,200	12,026,123	(105,568,460)	6,472,230	(480)	251,231,907	344,422,520

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

Statement of Changes in Equity

for the financial year ended 31 December 2011

		< ----- Non-distributable ----- >				
	Note	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
Company						
Balance at 31 December 2009		139,438,000	21,776,200	–	(5,754,458)	155,459,742
Profit for the financial year		–	–	–	20,881,361	20,881,361
Total comprehensive income		–	–	–	20,881,361	20,881,361
Transactions with owners						
Repurchase of shares	15(d)	–	–	(480)	–	(480)
Dividend paid	27	–	–	–	(5,999,985)	(5,999,985)
Total transactions with owners		–	–	(480)	(5,999,985)	(6,000,465)
Balance at 31 December 2010		139,438,000	21,776,200	(480)	9,126,918	170,340,638
Loss for the financial year		–	–	–	(710,375)	(710,375)
Total comprehensive loss		–	–	–	(710,375)	(710,375)
Transactions with owners						
Issue of new shares	14	12,222,000	6,977,952	–	–	19,199,952
Shares issue expenses		–	(152,952)	–	–	(152,952)
Dividend paid	27	–	–	–	(4,399,989)	(4,399,989)
Total transactions with owners		12,222,000	6,825,000	–	(4,399,989)	14,647,011
Balance at 31 December 2011		151,660,000	28,601,200	(480)	4,016,554	184,277,274

Statements of Cash Flows

for the financial year ended 31 December 2011

		Group		Company	
Note	2011 RM	2010 RM	2011 RM	2010 RM	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	117,502,431	106,777,332	(710,375)	20,881,361	
Adjustments for:					
Amortisation/depreciation of:					
- Land use rights	8	574,155	576,590	-	
- Property, plant and equipment	7	326,153	318,473	-	
Dividend income	18	-	-	(22,011,618)	
Interest expense		1,624,607	2,142,951	-	
Interest income		(471,100)	(319,797)	-	
Inventories written off	10	5,123	25,408	-	
Loss on disposal of property, plant and equipment		72,665	19,309	-	
Property, plant and equipment written off	7	27,823	22,315	-	
Unrealised (gain)/loss on foreign exchange		(3,694,471)	706,627	-	
Operating profit/(loss) before working capital changes					
	115,967,386	110,269,208	(710,375)	(1,130,257)	
Decrease in inventories	3,324,631	3,295,836	-	-	
Increase in trade and other receivables	(10,848,898)	(27,970,035)	-	-	
(Decrease)/Increase in trade and other payables	(2,996,492)	24,585,209	139,372	(1,048,765)	
Cash generated from/(used in) operations	105,446,627	110,180,218	(571,003)	(2,179,022)	
Income tax paid	(29,976,563)	(24,008,242)	-	-	
Net cash from/(used in) operating activities	75,470,064	86,171,976	(571,003)	(2,179,022)	
CASH FLOWS FROM INVESTING ACTIVITIES					
(Advances to)/repayments by a subsidiary	23(b)	-	-	(29,810,794)	
Repayments to a subsidiary	23(b)	-	-	(2,434,262)	
Dividend received		-	-	15,589,600	
Interest received		471,100	319,797	-	
Proceeds from disposal of property, plant and equipment		105,661	130,268	-	
Purchase of property, plant and equipment	7	(59,114,676)	(70,151,850)	-	
Net cash (used in)/from investing activities	(58,537,915)	(69,701,785)	(14,221,194)	7,779,166	

Statements of Cash Flows

for the financial year ended 31 December 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid by subsidiaries to a former equity owner		–	(18,000,600)	–	–
Dividend paid	27	(4,399,989)	(5,999,985)	(4,399,989)	(5,999,985)
Drawdown of bank borrowings		55,896,450	48,388,455	–	–
Interest paid		(1,624,607)	(2,142,951)	–	–
Issue of new shares, net of shares issue expenses	14	19,047,000	–	19,047,000	–
Payment for share buyback	15(d)	–	(480)	–	(480)
Repayments of borrowings		(57,240,795)	(66,933,810)	–	–
(Placement of)/Reduction in deposit pledged to bank		(1,580)	24,920	–	–
Net cash from/(used in) financing activities		11,676,479	(44,664,451)	14,647,011	(6,000,465)
Net increase/(decrease) in cash and cash equivalents		28,608,628	(28,194,260)	(145,186)	(400,321)
Effect of changes in exchange rate		8,427,782	(7,791,577)	–	–
Cash and cash equivalents at beginning of financial year		79,279,552	115,265,389	146,335	546,656
Cash and cash equivalents at end of financial year	13	116,315,962	79,279,552	1,149	146,335

Notes to the Financial Statements

31 December 2011

1. CORPORATE INFORMATION

The Company (喜得狼控股有限公司) was incorporated in Bermuda under the Bermuda Companies Act as an exempted company limited by shares and registered as a foreign company in Malaysia under the Malaysian Companies Act, and is 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 Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at HongPeng Building, Yangguang East Road, Hua Ting Kou Industrial Zone, Chendai County, Jinjiang City, Fujian Province, the Peoples' Republic of China ("PRC").

The financial statements are presented in Ringgit Malaysia ("RM"), unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 April 2012.

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

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 9 to 81 have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") in Malaysia. However, Note 32 to the financial statements set out on page 82 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

(i) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date.

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

(ii) Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

The subsidiaries acquired under this scenario will be consolidated using the purchase method of accounting.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently convertible or exercisable are taken into consideration.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated statement of comprehensive income.

Business combinations from 1 January 2011 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

(ii) Business combination involving entities not under common control (continued)

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 Income Taxes and FRS 119 Employee Benefits respectively;
- (b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with FRS 2 Share-based Payment at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of FRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with FRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquire (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquire net identifiable assets.

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 acquire (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the 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.

Business combinations before 1 January 2011

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

(ii) Business combination involving entities not under common control (continued)

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination; and
- (b) recognise immediately in profit or loss any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

4.3 Property, plant and equipment and depreciation

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

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

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

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

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

Plant and machinery	10%
Electronic equipment	10% - 33.33%
Motor vehicles	10%
Other equipment	10% - 20%

Construction-in-progress represents factory and staff accommodation under construction. The depreciation of construction-in-progress begin when they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**4.3 Property, plant and equipment and depreciation (continued)**

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

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

4.4 Leases**(a) Finance leases**

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease.

(b) Operating leases

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

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

(c) Leases of land

For leases of land, the leases are classified as operating or finance leases in the same way as leases of other assets.

Following the adoption of Amendment to FRS 117 Leases contained in the Improvements to FRSs (2009), the Group reassessed the classification of land elements of unexpired leases on the basis of information existing at the inception of those leases. Consequently, the Group retrospectively reclassified the prepaid lease payments for land as finance leases in the previous year. For clarity purpose, the Group has presented the related leased assets under a separate line item – "Land use rights" in the statements of financial position and treated them in accordance with FRS 116 upon adoption of this amendment.

Land use rights are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged so as to write off the cost of the land use rights, using the straight line method, over the lease period.

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company have power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost. Investments accounted for at cost shall be accounted for in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with FRS 5.

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

Equity loan

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

4.6 Impairment of non-financial assets

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Inventories

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

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

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

4.8 Financial instruments

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

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

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

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

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

(a) Financial assets

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

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

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

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

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

Notes to the Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments

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

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

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

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

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

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(b) Financial liabilities

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

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

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

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

(ii) Other financial liabilities

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(c) Equity

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

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

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

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

If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.9 Impairment of financial assets

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

Loans and receivables

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Borrowing costs

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

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

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

4.11 Provisions

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

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

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

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

4.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by subsidiaries incorporated in the PRC on distributions to the immediate holding company incorporated or domiciled outside the PRC.

Taxes in the statements of comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

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

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

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31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

(b) Deferred tax (continued)

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting period.

(c) Other taxes

The Group's sale of goods in the PRC are subjected to Value Added Tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use right tax, recoverable from, or payable to, the taxation authority is included as part of "current tax assets" or "current tax liabilities" in the statements of financial position respectively in line with the requirements in the PRC.

Revenue, expenses and assets are recognised net of the amount of VAT except where:

- (i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- (ii) Receivables and payables are stated with the amount of VAT included.

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

Land use right taxes and other taxes are recognised under the administrative and other expenses in the statements of comprehensive income, and included as part of current tax liabilities in the statements of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Contingent liabilities and contingent assets

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

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

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

4.14 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

(b) Defined contribution plan

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

4.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM"), unless otherwise stated. The functional currencies of the Company and its subsidiaries in the PRC are RM and Renminbi ("RMB") respectively.

Notes to the Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Foreign currencies (continued)

(b) Foreign currency translations and balances

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

(c) Foreign operations

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

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

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

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

4.16 Revenue recognition

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

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

(a) Sale of goods

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

(b) Dividend income

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

(c) Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Intangible assets

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The costs incurred for the registrations of trademarks are immaterial and written off to the profit or loss in the financial period in which it is incurred.

Research and development expenditure including the design and production of prototypes of new samples are written off to the profit or loss in the financial period in which it is incurred.

4.18 Operating segments

Operating segments are defined as components of the Group that:

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Earning per share

(a) Basic

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

(b) Diluted

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

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs

5.1 New FRS adopted during the current financial year

- (a) Amendments to FRS 132 are mandatory for annual periods beginning on or after 1 March 2010 in respect of the classification of rights issues respectively.

These Amendments clarify that rights, options or warrants to acquire a fixed number of the Group's own equity instruments for a fixed amount of any currency shall be classified as equity instruments rather than financial liabilities if the Group offers the rights, options or warrants pro rata to all of its own existing owners of the same class of its own non-derivative equity instruments.

There is no impact upon adoption of these Amendments during the financial year.

- (b) IC Interpretation 12 *Service Concession Arrangements* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to operators for public-to-private service concession arrangements, whereby infrastructure within the scope of this Interpretation shall not be recognised as property, plant and equipment of the operator. The operator shall recognise and measure revenue in accordance with FRS 111 *Construction Contracts* and FRS 118 for the services performed. The operator shall also account for revenue and costs relating to construction or upgrade services in accordance with FRS 111.

Consideration received or receivable by the operator for the provision of construction or upgrade services shall be recognised at its fair value. If the consideration consists of an unconditional contractual right to receive cash or another financial asset from the grantor, it shall be classified as a financial asset. Conversely, if the consideration consists of a right to charge users of the public service, it shall be classified as an intangible asset.

There is no impact upon adoption of this Interpretation during the financial year.

- (c) FRS 1 *First-time Adoption of Financial Reporting Standards* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 1 and shall be applied when the Group adopts FRSs for the first time via the explicit and unreserved statement of compliance with FRSs. An opening FRS statement of financial position shall be prepared and presented at the date of transition to FRS, whereby:

- (i) All assets and liabilities shall be recognised in accordance with FRSs;
- (ii) Items of assets and liabilities shall not be recognised if FRSs do not permit such recognition;
- (iii) Items recognised in accordance with previous GAAP shall be reclassified in accordance with FRSs; and

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

- (c) FRS 1 *First-time Adoption of Financial Reporting Standards* is mandatory for annual periods beginning on or after 1 July 2010. (continued)

All recognised assets and liabilities shall be measured in accordance with FRSs.

All resulting adjustments shall therefore be recognised directly in retained earnings at the date of transition to FRSs.

There is no impact upon adoption of this Standard during the financial year.

- (d) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 3 and now includes business combinations involving mutual entities and those achieved by way of contract alone. Any non-controlling interest in an acquiree shall be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The time limit on the adjustment to goodwill due to the arrival of new information on the crystallisation of deferred tax benefits shall be restricted to the measurement period resulting from the arrival of the new information. Contingent liabilities acquired arising from present obligations shall be recognised, regardless of the probability of outflow of economic resources.

Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred and the services are received. Consideration transferred in a business combination, including contingent consideration, shall be measured and recognised at fair value at acquisition date. Any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss.

In business combinations achieved in stages, the acquirer shall remeasure its previously held equity interest at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

The revised FRS 3 has been applied prospectively in accordance with its transitional provisions. Assets and liabilities that arose from business combinations whose acquisition dates were before 1 July 2010 are not adjusted.

There is no impact upon adoption of this Standard during the financial year.

- (e) FRS 127 *Consolidated and Separate Financial Statements* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 127 and replaces the current term 'minority interest' with the new term 'non-controlling interest' which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be remeasured at its fair value at the date when control is lost.

According to its transitional provisions, the revised FRS 127 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interest, attribution of losses to non-controlling interest, and disposal of subsidiaries before 1 July 2010. These changes would only affect future transactions with non-controlling interest.

There is no impact upon adoption of this Standard during the financial year.

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5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

- (f) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010.

Amendments to FRS 2 *Share-based Payments* clarifies that transactions in which the Group acquired goods as part of the net assets acquired in a business combination or contribution of a business on the formation of a joint venture are excluded from the scope of this Standard. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 5 clarifies that non-current asset classified as held for distribution to owners acting in their capacity as owners are within the scope of this Standard. The amendment also clarifies that in determining whether a sale is highly probable, the probability of shareholders' approval, if required in the jurisdiction, shall be considered. In a sale plan involving loss of control of a subsidiary, all assets and liabilities of that subsidiary shall be classified as held for sale, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Discontinued operations information shall also be presented. Non-current asset classified as held for distribution to owners shall be measured at the lower of its carrying amount and fair value less costs to distribute. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 138 clarifies that the intention of separating an intangible asset is irrelevant in determining the identifiability of the intangible asset. In a separate acquisition and acquisition as part of a business combination, the price paid by the Group reflects the expectations of the Group of an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Accordingly, the probability criterion is always considered to be satisfied for separately acquired intangible assets. The useful life of a reacquired right recognised as an intangible asset in a business combination shall be the remaining contractual period of the contract in which the right was granted, and do not include renewal periods. In the case of a reacquired right in a business combination, if the right is subsequently reissued to a third party, the related carrying amount shall be used in determining the gain or loss on reissue. There is no impact upon adoption of these Amendments during the financial year.

Amendments to IC Interpretation 9 clarifies that embedded derivatives in contracts acquired in a business combination, combination of entities or business under common controls, or the formation of a joint venture are excluded from this Interpretation. There is no impact upon adoption of these Amendments during the financial year.

- (g) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to hedges undertaken on foreign currency risk arising from net investments in foreign operations and the Group wishes to qualify for hedge accounting in accordance with FRS 139.

Hedge accounting is applicable only to the foreign exchange differences arising between the functional currency of the foreign operation and the functional currency of any parent (immediate, intermediate or ultimate parent) of that foreign operation. An exposure to foreign currency risk arising from a net investment in a foreign operation may qualify for hedge accounting only once in the consolidated financial statements.

Hedging instruments designated in the hedge of a net investment in a foreign operation may be held by any companies within the Group, as long as the designation, documentation and effectiveness requirements of FRS 139 are met. There is no impact upon adoption of this Interpretation during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

- (h) IC Interpretation 17 *Distributions of Non-cash Assets to Owners* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to non-reciprocal distributions of non-cash assets by the Group to its owners in their capacity as owners, as well as distributions that give owners a choice of receiving either non-cash assets or a cash alternative. This Interpretation also applies to distributions in which all owners of the same class of equity instruments are treated equally.

The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the Group. The liability shall be measured at the fair value of the assets to be distributed. If the Group gives its owners a choice of receiving either a non-cash asset or a cash alternative, the dividend payable shall be estimated by considering the fair value of both alternatives and the associated probability of the owners' selection.

At the end of each reporting period, the carrying amount of the dividend payable shall be remeasured and any changes shall be recognised in equity. At the settlement date, any difference between the carrying amounts of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. The new accounting policy (see Note 4.8(c)) has been applied prospectively. There is no impact upon adoption of this Interpretation during the financial year.

- (i) Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* is mandatory for annual periods beginning on or after 1 January 2011.

This Amendment permits a first-time adopter of FRSs to apply the exemption of not restating comparatives for the disclosures required in Amendments to FRS 7.

There is no impact upon adoption of this Amendment during the financial year.

- (j) Amendments to FRS 1 *Additional Exemptions for First-time Adopters* are mandatory for annual periods beginning on or after 1 January 2011.

These Amendments permits a first-time adopter of FRSs to apply the exemption of not restating the carrying amounts of oil and gas assets determined under previous GAAP.

There is no impact upon adoption of these Amendments during the financial year.

- (k) Amendments to FRS 7 *Improving Disclosures about Financial Instruments* are mandatory for annual periods beginning on or after 1 January 2011.

These Amendments require enhanced disclosures of fair value of financial instruments based on the fair value hierarchy, including the disclosure of significant transfers between Level 1 and Level 2 of the fair value hierarchy as well as reconciliations for fair value measurements in Level 3 of the fair value hierarchy.

By virtue of the exemption provided under paragraph 44G of FRS 7, the impact of applying these Amendments on the financial statements upon first adoption of FRS 7 as required by paragraph 30(b) of FRS 108 are not disclosed.

- (l) Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions* are mandatory for annual periods beginning on or after 1 January 2011.

These Amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.

There is no impact upon adoption of these Amendments during the financial year.

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5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

- (m) IC Interpretation 4 *Determining whether an Arrangement contains a Lease* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation requires the determination of whether an arrangement is, or contains, a lease based on an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. This assessment shall be made at the inception of the arrangement and subsequently reassessed if certain condition(s) in the Interpretation is met.

There is no impact upon adoption of this Interpretation during the financial year because there are no arrangements dependent on the use of specific assets in the Group.

- (n) IC Interpretation 18 *Transfers of Assets from Customers* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation applies to agreements in which an entity receives from a customer either an item of property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or cash for the acquisition or construction of property, plant and equipment. The entity receiving the transferred item is required to assess whether the transferred item meets the definition of an asset set out in the Framework. The credit entry would be accounted for as revenue in accordance with FRS 118.

There is no impact upon adoption of this Interpretation during the financial year because there are no such arrangement in the Group.

- (o) *Improvements to FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011.

Amendments to FRS 1 clarifies that FRS 108 does not apply to changes in accounting policies made upon adoption of FRSs until after the first FRS financial statements have been presented. If changes in accounting policies or exemptions in this FRS are used, an explanation of such changes together with updated reconciliations shall be made in each interim financial report. Entities whose operations are subject to rate regulation are permitted the use of previously revalued amounts as deemed cost. There is no impact upon adoption of these amendments during the financial year.

Amendments to FRS 3 clarifies that for each business combination, the acquirer shall measure at the acquisition date non-controlling interests that consists of the present ownership interests and entitle holders to a proportionate share of the entity's net assets in the event of liquidation. Un-replaced and voluntarily replaced share-based payment transactions shall be measured using the market-based measurement method in accordance with FRS 2 at the acquisition date. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 7 clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group has incorporated these disclosures on maximum exposure to credit risk in Note 25 to the financial statements.

Amendments to FRS 101 clarify that a statement of changes in equity shall be presented as part of a complete set of financial statements and analysis of other comprehensive income shall also be presented in the statement of changes in equity. This has been reflected in the statement of changes in equity.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

- (o) *Improvements to FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011. (continued)

Amendments to FRS 121 *The Effects of Changes in Foreign Exchange Rates* clarify that the accounting treatment for cumulative foreign exchange differences in other comprehensive income for the disposal or partial disposal of a foreign operation shall be applied prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 128 clarify that the accounting treatment for the cessation of significant influence over an associate shall be applied prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 131 clarify that the accounting treatment for the cessation of joint control over an entity shall be applied prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 132 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 134 clarify that updated information on significant events and transactions since the end of the last annual reporting period shall be included in the Group's interim financial report. There is no impact upon adoption of these Amendments during the financial year. However, there would be additional disclosures in the quarterly interim financial statements of the Group.

Amendments to FRS 139 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to IC Interpretation 13 clarify that the fair value of award credits takes into account, amongst others, the amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. There is no impact upon adoption of these Amendments during the financial year.

5.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 December 2012.

This would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2011 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ended 31 December 2011 in accordance with MFRS which would form the MFRS comparatives for the quarter ending 31 March 2012 and financial year ending 31 December 2012 respectively.

Notes to the Financial Statements

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5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (continued)

The MFRSs and IC Interpretations expected to be adopted are as follows:

	Effective Date
MFRS 1 First-time Adoption of Financial Reporting Standards	1 January 2012
MFRS 2 Share-based Payment	1 January 2012
MFRS 3 Business Combination	1 January 2012
MFRS 4 Insurance Contracts	1 January 2012
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2012
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2012
MFRS 7 Financial Instruments: Disclosures	1 January 2012
MFRS 8 Operating Segments	1 January 2012
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 101 Presentation of Financial Statements	1 January 2012
Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 102 Inventories	1 January 2012
MFRS 107 Statement of Cash Flows	1 January 2012
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012
MFRS 110 Events After the Reporting Period	1 January 2012
MFRS 111 Construction Contracts	1 January 2012
MFRS 112 Income Taxes	1 January 2012
MFRS 116 Property, Plant and Equipment	1 January 2012
MFRS 117 Leases	1 January 2012
MFRS 118 Revenue	1 January 2012
MFRS 119 Employee Benefits	1 January 2012
MFRS 119 Employee Benefits (revised)	1 January 2013
MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
MFRS 121 The Effects of Changes in Foreign Exchange Rates	1 January 2012
MFRS 123 Borrowing Costs	1 January 2012
MFRS 124 Related Party Disclosures	1 January 2012
MFRS 126 Accounting and Reporting by Retirement Benefit Plans	1 January 2012
MFRS 127 Consolidated and Separate Financial Statements	1 January 2012
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates	1 January 2012
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
MFRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2012
MFRS 131 Interests in Joint Ventures	1 January 2012
MFRS 132 Financial Instruments: Presentation	1 January 2012
MFRS 133 Earnings Per Share	1 January 2012
MFRS 134 Interim Financial Reporting	1 January 2012
MFRS 136 Impairment of Assets	1 January 2012
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
MFRS 138 Intangible Assets	1 January 2012
MFRS 139 Financial Instruments: Recognition and Measurement	1 January 2012
MFRS 140 Investment Property	1 January 2012
MFRS 141 Agriculture	1 January 2012
Improvements to MFRSs	1 January 2012
Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

Notes to the Financial Statements

31 December 2011

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (continued)

The MFRSs and IC Interpretations expected to be adopted are as follows: (continued)

	Effective Date
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 March 2012
IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2012
IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments	1 January 2012
IC Interpretation 4 Determining Whether an Arrangement Contains a Lease	1 January 2012
IC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2012
IC Interpretation 6 Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment	1 January 2012
IC Interpretation 7 Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies	1 January 2012
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2012
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2012
IC Interpretation 12 Service Concession Arrangements	1 January 2012
IC Interpretation 13 Customer Loyalty Programmes	1 January 2012
IC Interpretation 14 MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 January 2012
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 January 2012
IC Interpretation 18 Transfers of Assets from Customers	1 January 2012
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2012
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IC Interpretation 107 Introduction of the Euro	1 January 2012
IC Interpretation 110 Government Assistance – No Specific Relation to Operating Activities	1 January 2012
IC Interpretation 112 Consolidation – Special Purpose Entities	1 January 2012
IC Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1 January 2012
IC Interpretation 115 Operating Leases – Incentives	1 January 2012
IC Interpretation 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1 January 2012
IC Interpretation 129 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2012
IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services	1 January 2012
IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2012

Notes to the Financial Statements

31 December 2011

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (continued)

Technical Release 3 Guidance on Disclosures of Transition to IFRSs ('TR 3') provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. However, the Group is in the process of preparing the opening statement of financial statements and is only able to assess the potential impact as follows:

- (a) FRS 116 contains an additional disclosure to require an entity to disclose if it had applied the transitional provision provided by the MASB when FRS 116 was first adopted in 1998. The said transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 116 does not have similar requirements for such a transition.

- (b) FRS 117 contains two transitional provisions, one of which is in relation to the transition from MASB 10 Leases to FRS 117:

- i. An entity that had previously classified its leasehold land as property, plant and equipment shall reclassify the unamortised carrying amount as operating lease.

If the entity had previously revalued such leasehold land, the entity shall retain the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

However, MFRS 117 does not have this transitional provision as the requirement to treat leasehold land as operating lease was already prescribed in IAS 17 Leases.

- ii. An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 Accounting Policies, Changes in Estimates and Errors when it first applied the revised Standard.

However, MFRS 117 does not have similar requirements for such a transition.

- (c) FRS 121 mandates the use of Ringgit Malaysia as the presentation currency in accordance with the Companies Act, 1965. However, MFRS 121 does not have such a similar requirement.

- (d) FRS 139 contains three transitional provisions, namely:

- i. Transitional provision for first-time adoption of FRS 139 which prohibits retrospective application and instead, requires an initial application of the recognition, classification and measurement on the effective date of the Standard.

- ii. An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the revised Standard.

However, MFRS 139 does not have similar requirements for such a transition.

- (e) FRS 140 contains an additional disclosure to require an entity to disclose that it had applied the transitional provision provided by the MASB in 1998. The same transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 140 does not have similar requirements for such a transition.

- (f) FRS 4 contains a transitional provision that an entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, MFRS 4 does not have similar requirements for such a transition.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (continued)

(g) FRS 7 contains two transitional provisions:

- i. An entity is not required to present any comparative disclosures required by the Standard when it first applied the Standard.
- ii. An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, MFRS 7 does not have similar requirements for such a transition.

(h) IC Interpretation 12 contains a transitional provision that an entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, IC Interpretation 12 does not have similar requirements for such a transition.

(i) MFRS 141 Agriculture is mandatory for annual period beginning on or after 1 January 2012.

This Standard prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. It requires measurement at fair value less costs to sell from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This Standard requires that a change in fair value less costs to sell of a biological asset be included in profit or loss for the period in which it arises.

The Group does not expect any impact on the financial statements upon adoption of this Standard.

(j) IC Interpretation 15 Agreements for the Construction of Real Estate is mandatory for annual periods beginning on or after 1 January 2012.

This Interpretation applies to the accounting for revenue and associated expenses by entities undertaking construction or real estate directly or via subcontractors. Within a single agreement, the Group may contract to deliver goods or services in addition to the construction of real estate. Such an agreement shall therefore, be split into separately identifiable components.

An agreement for the construction of real estate shall be accounted for in accordance with FRS 111 if the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Accordingly, revenue shall be recognised by reference to the stage of completion of the contract.

An agreement for the construction of real estate in which buyers only have limited ability to influence the design of the real estate or to specify only minor variations to the basic designs is an agreement for the sale of goods in accordance with FRS 118. Accordingly, revenue shall be recognised by reference to the criteria in paragraph 14 of FRS 118 (e.g. transfer of significant risks and rewards, no continuing managerial involvement nor effective control, reliable measurement, etc.).

The Group does not expect any impact on the financial statements upon adoption of this Interpretation.

Notes to the Financial Statements

31 December 2011

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 July 2012 and 1 January 2013

- (a) Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income are mandatory for annual periods beginning on or after 1 July 2012.

These Amendments requires the Group to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments) or otherwise. It does not change the option to present items of other comprehensive income either before tax or net of tax. However, if the items are presented before tax, then the tax related to each of the two groups of other comprehensive income items shall be shown separately.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2013.

- (b) MFRS 10 Consolidated Financial Statements is mandatory for annual periods beginning on or after 1 January 2013.

This Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The investor is required to reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

- (c) MFRS 11 Joint Arrangements is mandatory for annual periods beginning on or after 1 January 2013.

This Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are classified into two types; joint operations and joint ventures. A joint operation is a joint arrangement whereby joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangements. A joint operator recognises and measures the assets and liabilities in relation to its interest in the arrangement in accordance with applicable relevant MFRS whereas a joint venture recognises the investment using the equity method of accounting.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

- (d) MFRS 12 Disclosure of Interests in Other Entities is mandatory for annual periods beginning on or after 1 January 2013.

This Standard establishes disclosure objectives and requirements that enable users of financial statements to evaluate the nature of, and risks associated with, the Group's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. If the minimum disclosures required in this Standard are not sufficient to meet the disclosure objectives, the Group is expected to disclose whatever additional information that is necessary to meet that objective.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 July 2012 and 1 January 2013 (continued)

- (e) MFRS 13 Fair Value Measurements is mandatory for annual periods beginning on or after 1 January 2013.

This Standard applies to FRS that requires or permits fair value measurements or disclosures about fair value measurements. It explains how to measure fair value for financial reporting and does not require fair value measurements in addition to those already required or permitted by other MFRS. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The definition of fair value is a market-based measurement and not an entity-specific measurement whereby assumptions made by market participants would be used when pricing the asset or liability under current market conditions. Consequently, the Group's intention to hold an asset or to settle or fulfil a liability is not relevant when measuring fair value. The Group does not expect any impact on the financial statements arising from the adoption of these Amendments.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

- (f) MFRS 127 Separate Financial Statements (revised) is mandatory effective for annual periods beginning on or after 1 January 2013.

This revised Standard contains accounting requirements for investments in subsidiaries, joint ventures and associates when separate financial statements are prepared. The Company is required to account for those investments either at cost or in accordance with MFRS 9 in the separate financial statements.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

- (g) MFRS 128 Investments in Associates and Joint Ventures (revised) is mandatory for annual periods beginning on or after 1 January 2013.

This revised Standard defines the equity method of accounting whereby the investment in an associate or joint venture is initially measured at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

- (h) MFRS 119 Employee Benefits (revised) is mandatory for annual periods beginning on or after 1 January 2013.

This revised Standard requires the Group to recognise all changes in the defined benefit obligations and in the fair value of related plan assets when those changes occur. The Group is also required to split the changes in the net defined benefit liability or asset into the following three components: service cost (presented in profit or loss), net interest on the net defined benefit liability (presented in profit or loss) and remeasurement of the net defined benefit liability (presented in other comprehensive income and not recycled through profit or loss).

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

Notes to the Financial Statements

31 December 2011

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 July 2012 and 1 January 2013 (continued)

- (i) IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine is mandatory for annual periods beginning on or after 1 January 2013.

This Interpretation clarifies that removed material that can be used to build up inventory is accounted for in accordance with the principles of MFRS 102 Inventories. The other removed material, that provides access to deeper levels of material that will be mined in future periods, is recognised as a non-current asset (referred to as a 'stripping activity asset') if recognition criteria are met. This Interpretation requires stripping activity assets to be measured at cost at initial recognition. Consequently, they are carried either at cost or revalued amount less depreciation or amortisation and any impairment losses.

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.

- (j) Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities are mandatory for annual periods beginning on or after 1 January 2013.

These Amendments require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2013.

- (k) Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities are mandatory for annual periods beginning on or after 1 January 2014.

These Amendments provide the application guidance for criteria to offset financial assets and financial liabilities.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2014.

- (l) MFRS 9 Financial Instruments is mandatory for annual periods beginning on or after 1 January 2015.

This Standard addresses the classification and measurement of financial assets and financial liabilities. All financial assets shall be classified on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value. Financial liabilities are subsequently measured at amortised cost or fair value. However, changes due to own credit risk in relation to the fair value option for financial liabilities shall be recognised in other comprehensive income.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2015.

- (m) Mandatory Effective Date of MFRS 9 and Transition Disclosures is effective immediately upon adoption of FRS 9.

This Amendment modifies the effective date of MFRS 9 from 1 January 2013 to 1 January 2015. Transitional provisions in MFRS 9 were also amended to provide certain relief from retrospective adjustments.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2015.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

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

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

6.2 Critical judgements made in applying accounting policies

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

(a) Basis of consolidation – business combination involving entities under common control

The Group is regarded as continuing entity resulting from the reorganisation exercise which was completed during the financial year ended 31 December 2009 since the management of all the entities, which took part in the reorganisation exercise was controlled by the same management and under the common controlling parties before and immediately after the reorganisation exercise.

Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate controlling parties that existed prior to the reorganisation exercise. The reorganisation exercise had been accounted for as a restructuring under common control in a manner similar to pooling of interest method or merger. Accordingly, consolidated financial statements have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries, which were under common control of the ultimate controlling parties and management that existed prior to the reorganisation exercise during the relevant period or since their respective dates of incorporation.

(b) Withholding tax on dividend

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

In the current financial year, the Directors have reassessed the dividend policy of the Group. Following the reassessment, the Directors have reconsidered the above tax exposure in the light of the changes in dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of the PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%. However, actual applicable withholding tax rate at the time of distribution could differ.

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

(c) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

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6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty

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

(a) Impairment of non-financial assets

The management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs.

(b) Depreciation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation charge for the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future periods are adjusted if there are significant changes from previous estimates.

(c) Income tax

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

(d) Impairment of receivables

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

(e) Write down for obsolete or slow moving inventories

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

(f) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

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7. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RM	Electronic equipment RM	Motor vehicles RM	Other equipment RM	Construction- in-progress RM	Total RM
Group						
Carrying amount						
At 1 January 2011	1,269,286	80,766	2,001	54,132	122,505,400	123,911,585
Additions	268,901	–	825,286	1,389	58,019,100	59,114,676
Written off	(25,186)	–	–	(2,637)	–	(27,823)
Disposal	(178,326)	–	–	–	–	(178,326)
Depreciation charge for the financial year	(255,524)	(14,379)	(44,025)	(12,225)	–	(326,153)
Translation adjustments	88,984	5,510	52,168	3,438	13,672,100	13,822,200
At 31 December 2011	1,168,135	71,897	835,430	44,097	194,196,600	196,316,159
Group						
At 31 December 2011						
Cost	4,025,679	214,713	882,488	156,258	194,196,600	199,475,738
Accumulated depreciation	(2,857,544)	(142,816)	(47,058)	(112,161)	–	(3,159,579)
Carrying amount	1,168,135	71,897	835,430	44,097	194,196,600	196,316,159
Group						
Carrying amount						
At 1 January 2010	1,403,038	45,964	–	35,160	58,150,800	59,634,962
Additions	425,004	53,149	2,131	37,666	69,633,900	70,151,850
Written off	(21,189)	(735)	–	(391)	–	(22,315)
Disposal	(149,577)	–	–	–	–	(149,577)
Depreciation charge for the financial year	(289,216)	(13,712)	(96)	(15,449)	–	(318,473)
Translation adjustments	(98,774)	(3,900)	(34)	(2,854)	(5,279,300)	(5,384,862)
At 31 December 2010	1,269,286	80,766	2,001	54,132	122,505,400	123,911,585
Group						
At 31 December 2010						
Cost	4,073,713	198,794	2,096	159,514	122,505,400	126,939,517
Accumulated depreciation	(2,804,427)	(118,028)	(95)	(105,382)	–	(3,027,932)
Carrying amount	1,269,286	80,766	2,001	54,132	122,505,400	123,911,585

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8. LAND USE RIGHTS

	2011 RM	Group 2010 RM
Carrying amount		
At 1 January 2011/2010	26,278,534	28,891,484
Amortisation charge for the financial year	(574,155)	(576,590)
Translation adjustments	2,066,094	(2,036,360)
Carrying amount	27,770,473	26,278,534
Cost	30,618,752	28,348,667
Accumulated depreciation	(2,848,279)	(2,070,133)
Carrying amount	27,770,473	26,278,534

- (a) The Group is granted land use rights for a period of fifty (50) years in relation to the lands situated in the PRC.
- (b) During the financial year, land use rights with carrying amount of RM24,871,518 (2010:RM25,872,833) was charged to a licensed bank for the banking facilities granted to the subsidiaries.
- (c) In the previous financial years, the Group reassessed its leases of land in accordance with the Amendment to FRS 117 to be finance leases. For clarity purpose, the Group has presented the related leased assets separately as "Land use rights". The classification of prepaid lease payments for land as land use rights to be treated in accordance with FRS 116 has been accounted for retrospectively.

9. INVESTMENTS IN SUBSIDIARIES

	2011 RM	Company 2010 RM
Unquoted equity shares, at cost	105,572,996	105,572,996
Equity loan to a subsidiary	75,000,000	45,000,000
	180,572,996	150,572,996

During the financial year, the Directors of the Company have reassessed the nature of the amount owing by a subsidiary and determined that a portion of the outstanding balance amounting to RM75,000,000 (2010: RM45,000,000) shall constitute an equity loan to the subsidiary, which is unsecured, interest free and has no fixed terms of repayment and, is considered to be part of the Company's net investment in foreign operation.

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9. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by				Principal activities	Note
		Company	Subsidiaries	2011	2010		
		2011	2010	2011	2010		
XinYuanChan	Hong Kong Special Administrative Region ("HKSAR")	100%	100%	–	–	Investment holding	(a)

Subsidiary of XinYuanChan

HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HPFJ")	PRC	–	–	100%	100%	Design, manufacturing and marketing of sports as shoes well as design and marketing of sports apparel, accessories and equipment	(b)
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Subsidiaries of HPFJ

Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("CDHP")	PRC	–	–	100%	100%	Design, manufacturing and marketing of sports shoes	(c)
XiDeLang Sports Goods Co., Ltd. ("XDLSG")	PRC	–	–	100%	100%	The registered scope of business under its business license is manufacturing of shoes and apparel. Since its incorporation and up to the date of these financial statements, XDLSG has not engaged in any manufacturing activity. However, it is the registered owner of the Group's proprietary 'XiDeLang' brand	(d)

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9. INVESTMENTS IN SUBSIDIARIES (continued)

- (a) XinYuanChan is a private company with limited liability incorporated in HKSAR under the Hong Kong Companies Ordinance (Cap32) on 19 June 2008. The statutory financial statements for the financial year ended 31 December 2011 were audited by WCM, Certified Public Accountants in HKSAR. The auditors' report on the financial statements was qualified due to no consolidated financial statements being prepared in accordance with the requirements of applicable approved Hong Kong Financial Reporting Standards ("HKFRSs"). As XinYuanChan is merely an investment holding company, its contribution is not significant to XiDeLang Group and the financial statements of XinYuanChan and its subsidiaries have been included in the consolidated financial statements of XiDeLang Group, the qualified audit opinion would not have any significant impact to the XiDeLang Group as a whole.
- (b) HPFJ was incorporated in the PRC under the PRC Law of Sino-foreign Equity Joint Ventures on 29 November 1996 as a sino-foreign-owned company with limited liability. After the restructuring exercise carried out on 21 October 2008, its governing law was changed to the PRC Law of Wholly Foreign-Owned Enterprise. The statutory financial statements for the financial year ended 31 December 2011 prepared in accordance with generally acceptable accounting principles in the PRC ("PRC GAAP") were audited by Fujian Province Quanzhou TianXin Accountants Co., Ltd.. The auditors' report expressed an unqualified opinion on the financial statements for the current financial year.
- (c) CDHP was incorporated on 10 May 1993 in the PRC as a company with limited liability under the Provisional Regulations of the PRC on Private Enterprises. The statutory financial statements for the financial year ended 31 December 2011 prepared in accordance with PRC GAAP were audited by Fujian Province Quanzhou TianXin Accountants Co., Ltd.. The auditors' report expressed an unqualified opinion on the financial statements for the current financial year.
- (d) XDLSG was incorporated on 24 July 1995 in the PRC under the name of Fujian Province Jinjiang City XiDeLang Shoes and Garments Co., Ltd. as a company with limited liability under the Company Law of the PRC and assumed its current name on 26 May 2003. The statutory financial statements for the financial year ended 31 December 2011 prepared in accordance with PRC GAAP were audited by Fujian Province Quanzhou TianXin Accountants Co., Ltd.. The auditors' report expressed an unqualified opinion on the financial statements for the current financial year.
- (e) The financial statements of all the subsidiaries are also audited by BDO, Malaysia for the current financial year ended 31 December 2011 solely for the purpose of expressing an opinion on the consolidated financial statements (which are prepared in accordance with applicable approved Financial Reporting Standards in Malaysia) and serve no other purpose.

10. INVENTORIES

	2011 RM	Group 2010 RM
At cost		
Raw materials	747,274	3,556,429
Work-in-progress	4,243,454	7,108,446
Finished goods	6,668,868	3,418,380
	11,659,596	14,083,255

During the financial year, the Group wrote off inventories of RM5,123 (2010: RM25,408), which are included in cost of sales.

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11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current				
Trade receivables				
Third parties	96,580,278	79,066,079	–	–
Less: Impairment loss	–	–	–	–
	96,580,278	79,066,079	–	–
Other receivables				
Third parties	–	1,806,475	–	–
Amount owing by a subsidiary	–	–	4,479,484	4,668,690
Dividend receivable	–	–	–	15,589,600
	–	1,806,475	4,479,484	20,258,290
Loans and receivables	96,580,278	80,872,554	4,479,484	20,258,290
Deposit and prepayments				
Prepayment	251,550	–	–	–
Deposit	2,087,865	–	–	–
	2,339,415	–	–	20,258,290
	98,919,693	80,872,554	4,479,484	20,258,290

- (i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from sixty (60) to ninety (90) days (2010: sixty (60) to ninety (90) days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (ii) Amount owing by a subsidiary is unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (iii) Deposit represents deposit paid for purchasing property, plant and equipment.
- (iv) The currency exposure profile of receivables are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Renminbi	98,919,693	80,872,554	–	15,589,600
Ringgit Malaysia	–	–	4,479,484	4,668,690
	98,919,693	80,872,554	4,479,484	20,258,290

Notes to the Financial Statements

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11. TRADE AND OTHER RECEIVABLES (continued)

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

	2011 RM	Group 2010 RM
Neither past due nor impaired	96,580,278	78,255,375
Past due, not impaired		
1 days to 30 days	–	321,042
31 days to 60 days	–	–
61 days to 90 days	–	539
More than 90 days	–	489,123
	–	810,704
	96,580,278	79,066,079

Receivables that are neither past due nor impaired

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

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

- (iv) In the previous year, an amount of RM234,955 was written off against allowance for impairment loss on other receivables of the Group.

12. TAXATION

- (a) In addition to the corporate income tax, the types of other taxes applicable to the Group include land use right taxes, value added tax (“VAT”) and land appreciation tax, etc.

<u>Type of taxes</u>	<u>Tax basis and applicable rate</u>
Land use right taxes	Applicable tax rate per square meter of land area determined by the tax authority.
VAT	Output VAT is 17% of product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.
Land appreciation tax	Appreciation amount in transferring property at applicable tax rate.
Withholding tax on dividends	Represent 5% withholding tax payable in the PRC, on distribution of earnings by the subsidiaries in the PRC to their immediate holding company incorporated or domiciled in the HKSAR, effective from 1 January 2008.

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12. TAXATION (continued)

(b) Current tax liabilities

	2011 RM	Group 2010 RM
Current liabilities		
Corporate income tax	8,288,468	7,702,439
Value added tax	3,330,140	2,580,749
Land use right tax	557,983	518,475
Withholding tax on dividends	–	1,071,340
Others	180,998	37,604
	12,357,589	11,910,607

(c) Deferred tax liabilities

The deferred tax liabilities are made up of the following:

	2011 RM	Group 2010 RM
Undistributed profits of the PRC subsidiaries:		
Balance as at 1 January	7,379,650	–
Recognised directly in equity	5,184,322	7,379,650
Balance as at 31 December	12,563,972	7,379,650

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

In the previous financial year, the Directors had reassessed the dividend policy of the Group. Following the reassessment, the Directors have reconsidered the above tax exposure in the light of the changes in dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of the PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%.

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13. CASH AND CASH EQUIVALENTS

	2011 RM	Group 2010 RM	Company 2011 RM	2010 RM
Cash and bank balances	116,315,962	79,279,552	1,149	146,335
Deposit with a licensed bank	1,059,130	979,045	–	–
As per statements of financial position	117,375,092	80,258,597	1,149	146,335
Less: Deposit (Note (a) below)	(1,059,130)	(979,045)	–	–
As per statements of cash flows	116,315,962	79,279,552	1,149	146,335

- (a) Deposit with a licensed bank of RM1,059,130 (2010: RM979,045) represents guarantee deposit pledged for bankers' acceptance facilities granted to a subsidiary.
- (b) Information on financial risks of cash and cash equivalents are disclosed in Note 25 to the financial statements.
- (c) The currency exposure profile of cash and cash equivalents are as follows:

	2011 RM	Group 2010 RM	Company 2011 RM	2010 RM
Renminbi	117,362,975	80,103,499	–	–
Ringgit Malaysia	1,149	146,335	1,149	146,335
US Dollar	10,927	8,723	–	–
Hong Kong Dollar	41	40	–	–
As per statements of financial positions	117,375,092	80,258,597	1,149	146,335

14. SHARE CAPITAL

	2011 Par value USD	Group and Company 2010 Par value USD	2011 Par value USD	2010 Par value USD
Number of shares		USD	Number of shares	USD
Authorised ordinary shares				
At 1 January/ 31 December	500,000,000	0.10	50,000,000	500,000,000
			0.10	50,000,000

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14. SHARE CAPITAL (continued)

	Group and Company					
	Number of shares	2011 Par value USD	USD	Number of shares	2010 Par value USD	USD
Issued and fully paid ordinary shares:						
At 1 January	400,000,000	0.10	139,438,000	400,000,000	0.10	39,438,000
Issuance of shares pursuant to placement to selected investors	39,999,900	0.10	12,222,000	–	–	–
At 31 December	439,999,900	0.10	151,660,000	400,000,000	0.10	139,438,000

- (a) On 19 January 2011, the Company completed the listing and quotation of the first tranche of the Private Placement, which comprising 20,000,000 Placement Shares issued at an issue price of RM0.48 per Placement Share.
- (b) On 8 February 2011, the Company completed listing and quotation of the second and final tranche of the Private Placement, which comprising 19,999,900 Placement Shares issued at an issue price of RM0.48 per Placement Share.
- (c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets

15. RESERVES

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Non-distributable:					
Share premium		28,601,200	21,776,200	28,601,200	21,776,200
Statutory surplus reserve	(a)	12,026,123	12,026,123	–	–
Exchange translation reserve	(b)	6,472,230	(15,272,435)	–	–
Merger deficit	(c)	(105,568,460)	(105,568,460)	–	–
Treasury shares	(d)	(480)	(480)	(480)	(480)
Distributable:					
Retained earnings		251,231,907	172,176,599	4,016,554	9,126,918
		192,762,520	85,137,547	32,617,274	30,902,638

- (a) Statutory surplus reserve

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

Notes to the Financial Statements

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15. RESERVES (continued)

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Merger deficit

The merger deficit is arising from the acquisition of XinYuanChan based on the difference between the amount recorded as cost of merger, which comprised the share capital issued by the Company of USD29,999,999 (RM105,572,996), and the nominal value of XinYuanChan's share capital acquired under the pooling interest method of accounting as follows:

	RM
Cost of merger	105,572,996
Less : Share capital of XinYuanChan (HKD10,000)	(4,536)
Merger deficit	105,568,460

(d) Treasury shares

On 26 August 2010, the Company repurchased 1,000 units of its issued shares from the open market at an average price of RM0.48 per share. The repurchased shares were financed by internally generated fund. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Malaysian Companies Act, 1965.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current				
Trade payables				
Third parties	58,959,500	56,270,006	–	–
Other payables and accruals				
Third parties	270,088	2,543,945	–	–
Amount owing to a Director	241,797	231,735	231,735	231,735
Accruals	3,151,857	2,580,085	544,620	405,248
	3,663,742	5,355,765	776,355	636,983
	62,623,242	61,625,771	776,355	636,983

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group is ninety (90) days (2010: ninety (90) days).
- (b) Amount owing to a Director represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand in cash and cash equivalents.
- (c) Included in accruals is an amount of RM96,302 (2010: RM77,422), which represents accrued Directors' fees.

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16. TRADE AND OTHER PAYABLES (continued)

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Renminbi	61,865,846	61,016,736	30,186	27,948
Ringgit Malaysia	757,396	609,035	746,169	609,035
	62,623,242	61,625,771	776,355	636,983

(e) Information on financial risks of trade and other payables are disclosed in Note 25 to the financial statements.

17. BORROWINGS

	Note	2011 RM	Group 2010 RM
Current liabilities			
Secured			
Recourse factorings	(a)	13,885,560	8,035,050
Bankers' acceptances	(b)	–	3,260,600
		13,885,560	11,295,650
Unsecured			
Short term bank loans	(c),(d)	6,188,130	8,617,300
		20,073,690	19,912,950

(a) The recourse factorings are secured by trade receivables and guaranteed by a third party corporation.

(b) In the previous financial year, the bankers' acceptances were jointly guaranteed by a Director, a third party individual and a third party corporation and are secured by:

- (i) the deposit pledged to the bank; and
- (ii) a negative pledge on the assets of a subsidiary.

(c) Details of the unsecured short term loans with guarantees are as follows:

- (i) short term loans of RM4,427,280 are jointly guaranteed by a third party corporation and a related party (Note 23 (b)); and
- (ii) short term loan of RM1,760,850 is personally guaranteed by a related party (Note 23 (b)).

(d) Details of the unsecured short term loans with guarantees in the previous financial year were as follows:

- (i) short term loans of RM6,987,000 are personally guaranteed by a third party corporation; and
- (ii) short term loan of RM1,630,300 is jointly guaranteed by a Director and a related party.

(e) Information on financial risks of borrowings is disclosed in Note 25 to the financial statements.

(f) All borrowings are denominated in RMB

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18. REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sales of goods	484,733,086	465,081,448	–	–
Dividend income from a subsidiary	–	–	–	22,011,618
	484,733,086	465,081,448	–	22,011,618

19. COST OF SALES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Inventories sold	339,867,226	313,919,707	–	–

20. PROFIT BEFORE TAX

	Note	2011 RM	Group 2010 RM	2011 RM	Company 2010 RM
Profit before tax is arrived at after charging:					
Auditors' remuneration:					
- current financial year		253,000	313,000	253,000	313,000
Depreciation of:					
- land use rights	8	574,155	576,590	–	–
- property, plant and equipment	7	326,153	318,473	–	–
Directors' fees paid and payable to the Directors of the Company by the Company		148,302	148,422	148,302	148,422
Directors' other emoluments paid and payable to the Directors of the Company by the Company		48,000	48,000	48,000	48,000
Directors' remuneration paid and payable to the Directors of the Company by the subsidiaries		1,151,510	1,126,261	–	–
Interest expense on bank borrowings		1,624,607	2,142,951	–	–
Inventories written off	10	5,123	25,408	–	–
Land use right tax		–	208,330	–	–
Loss on disposal of property, plant and equipment		72,665	19,309	–	–

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20. PROFIT BEFORE TAX (continued)

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Property, plant and equipment written off	7	27,823	22,315	–	–
Operating lease payments		1,227,005	1,241,681	–	–
Realised loss on foreign exchange		–	161,819	–	75,038
Research and development expenses		929,412	732,439	–	–
Unrealised loss on foreign exchange		386	706,627	–	–
And crediting:					
Interest income		471,100	319,797	–	–
Unrealised gain on foreign exchange		3,694,857	–	–	–
Realised gain on foreign exchange		25,622	–	–	–

21. TAX EXPENSE

	2011 RM	Group 2010 RM
Current tax expense based on profit for the financial year	28,862,812	28,864,409

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

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

	2011 RM	Group 2010 RM
Profit before tax	117,502,431	106,777,332
Tax at the domestic rates applicable to profits in the countries concerned	29,609,698	26,570,026
Tax effect in respect of:		
Income not subject to tax	(982,321)	–
Non-allowable expenses	108,828	694,517
Withholding tax payable on dividends from a subsidiary incorporated in the PRC	–	1,411,225
Deferred tax assets not recognised	126,607	188,641
	28,862,812	28,864,409

Notes to the Financial Statements

31 December 2011

21. TAX EXPENSE (continued)

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

	Group	
	2011 RM	2010 RM
Unused tax losses		
- Expire by 31 December 2011	–	165,960
- Expire by 31 December 2012	499,991	462,922
- Expire by 31 December 2013	1,149,780	1,064,535
- Expire by 31 December 2014	1,066,124	987,081
- Expire by 31 December 2015	801,395	741,978
- Expire by 31 December 2016	540,140	–
	4,057,430	3,422,476
	4,057,430	3,422,476

The Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company and is not subject to tax on income under the Bermuda Tax Law. Hence, no tax reconciliation is prepared.

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

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

22. EMPLOYEE BENEFITS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Wages, salaries and bonuses	15,387,007	14,222,441	–	–
Contributions to defined contribution plan	1,372,807	1,343,493	–	–
Other benefits	48,000	48,000	48,000	48,000
	16,807,814	15,613,934	48,000	48,000

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM1,151,510 (2010: RM1,126,261).

23. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct and indirect subsidiaries and its immediate and ultimate holding company.

Notes to the Financial Statements

31 December 2011

23. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

The relationship and identity between the Company and its related parties are as follows:

Identity of the related party	Relationship with the Company
Ding JiaXing	Family member of three (3) of the Directors of the Company.
Ding QingYa	Family member of three (3) of the Directors of the Company.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Joint guarantees given by the Directors with other third parties for credit facilities granted to subsidiaries		–	3,260,600	–	–
Joint guarantees given by the by a related party, Ding Qing Ya and a third party corporation for credit facilities granted to a subsidiary	17(c)(i)	4,427,280	–	–	–
Joint guarantees given by a Director and a related party, Ding QingYa for credit facilities granted to a subsidiary	17(e)(ii)	–	1,630,300	–	–
Personal guarantees given by a related party, Ding Qing Ya for credit facilities granted to a subsidiary	17(c)(ii)	1,760,850	–	–	–
Rental paid to the Directors		(1,227,005)	(1,232,207)	–	–
Dividend received/receivable from a subsidiary	18	–	–	–	22,011,618
Repayments by a subsidiary		–	–	189,206	3,791,410
Equity loan to a subsidiary	9	–	–	(30,000,000)	–
Repayments to a subsidiary		–	–	–	(2,434,262)

Significant balances with a subsidiary and a director at the end of the reporting period are disclosed in Note 11 and 16 to the financial statements.

The related party transactions described above have been established under negotiated commercial terms.

Notes to the Financial Statements

31 December 2011

23. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

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

	2011 RM	Group 2010 RM
Short term employee benefits	1,434,911	1,386,520
Contributions to defined contribution plan	9,615	8,131
	1,444,526	1,394,651

24. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from financial year ended 31 December 2010.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2011 and 31 December 2010. The Group is not subject to any externally imposed capital requirements.

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

	2011 RM	Group 2010 RM	Company 2011 RM	2010 RM
Borrowings	20,073,690	19,912,950	—	—
Trade and other payables	62,623,242	61,625,771	776,355	636,983
Financial debts	82,696,932	81,538,721	776,355	636,983
Total capital	344,422,520	224,575,547	184,277,274	170,340,638
Financial debts	82,696,932	81,538,721	776,355	636,938
Equity and financial debts	427,119,452	306,114,268	185,053,629	170,977,576
Gearing ratio	19.4%	26.6%	0.4%	0.4%

Notes to the Financial Statements

31 December 2011

24. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

(i) Categories of financial instruments

	RM
--	----

Group

2011

Financial assets

Trade and other receivables - loans and receivables	96,580,278
Cash and cash equivalents	117,375,092

213,955,370

Financial liabilities

Trade and other payables	62,623,242
Borrowings	20,073,690

82,696,932

	RM
--	----

Company

2011

Financial assets

Trade and other receivables - loans and receivables	4,479,484
Cash and cash equivalents	1,149

4,480,633

Financial liabilities

Trade and other payables	776,355
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	RM
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Group

2010

Financial assets

Trade and other receivables - loans and receivables	80,872,554
Cash and cash equivalents	80,258,597

161,131,151

Financial liabilities

Trade and other payables	61,625,771
Borrowings	19,912,950

81,538,721

Notes to the Financial Statements

31 December 2011

24. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

Company

2010

Financial assets

Trade and other receivables - loans and receivables	20,258,290
Cash and cash equivalents	146,335

20,404,625

Financial liabilities

Trade and other payables	636,983
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(c) Fair values of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to the relatively short term maturity of these financial instruments.

(d) Determination of fair values

Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

- Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values due to their short-term nature.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to ascertain that adequate financial resources are available for the development of the Group's business whilst managing its exposure to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are licensed financial institutions and customers primarily located in the PRC. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's exposure to credit risks, or the risk of counter parties defaulting, arises mainly from trade receivables. The Group's exposure to credit risks is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The following shows the total amount due from the top ten (10) major customers as at the reporting period, which represents more than 38% (2010: 37%) of the total trade receivables. Other than as mentioned, the Group has no significant concentration of credit risk.

Notes to the Financial Statements

31 December 2011

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

	2011 RM	Group 2010 RM
Trade receivables	36,689,264	29,199,286

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the total carrying amount of these financial assets recognised in the statements of financial positions. There has been no change to the Group's exposure to credit risk or the manner in which the risk is managed and measured.

Information regarding the credit quality of trade and other receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements.

In respect of the cash and bank balances placed with licensed financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities. There has been no change to the Group's exposure to liquidity and cash flow risk or the manner in which the risk is managed and measured.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	On demand or within one year RM	2011 One to five years RM	Over five years RM	Total RM
Financial liabilities:				
Trade and other payables	62,623,242	–	–	62,623,242
Borrowings	20,073,690	–	–	20,073,690
Total undiscounted financial liabilities	82,696,932	–	–	82,696,932

Company	On demand or within one year RM	2011 One to five years RM	Over five years RM	Total RM
Financial liabilities:				
Trade and other payables	776,355	–	–	776,355

Notes to the Financial Statements

31 December 2011

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

Group	On demand or within one year RM	2010 One to five years RM	Over five years RM	Total RM
Financial liabilities:				
Trade and other payables	61,625,771	–	–	61,625,771
Borrowings	19,912,950	–	–	19,912,950
Total undiscounted financial liabilities	81,538,721	–	–	81,538,721

Company	On demand or within one year RM	2010 One to five years RM	Over five years RM	Total RM
Financial liabilities:				
Trade and other payables	636,983	–	–	636,983

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its loans and borrowings. The Group's fixed-rate deposits and borrowings are exposed to a risk of changes in their fair values due to changes in interest rates, if measured at fair value. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

The following tables set out the carrying amounts, the effective interest rates as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Note	Interest rate %	Within 1 year RM	Total RM
Group				
At 31 December 2011				
Fixed rate instruments				
Short term loans	17	6.013-6.560	(6,188,130)	(6,188,130)
Deposit with a licensed bank	13	0.36	1,059,130	1,059,130
Floating rate instruments				
Recourse factorings	17	6.101-6.888	(13,885,560)	(13,885,560)
Cash and bank balances	13	0.36 - 1.17	116,315,962	116,315,962

Notes to the Financial Statements

31 December 2011

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk

	Note	Interest rate %	Within 1 year RM	Total RM
Group				
At 31 December 2010				
Fixed rate instruments				
Short term loans	17	4.87 - 5.31	(8,617,300)	(8,617,300)
Recourse factorings	17	4.86 - 5.31	(8,035,050)	(8,035,050)
Bankers' acceptances	17	0.05	(3,260,600)	(3,260,600)
Deposit with a licensed bank	13	0.36	979,045	979,045
Floating rate instruments				
Cash and bank balances	13	0.36 - 1.17	79,279,552	79,279,552

Sensitivity analysis for interest rate risk

At 31 December 2011, if interest rates at the date had been 25 basis points lower with all other variables held constant, profit for the year would have been approximately RM192,000 (2010: RM147,000) higher, arising mainly as a result of lower interest income on cash and bank balances. If interest rates had been 25 basis points higher with all other variables held constant, profit for the year would have been approximately RM192,000 (2010: RM147,000) lower, arising mainly as a result of higher interest income on cash and bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Subsidiary incorporated and domiciled in Hong Kong has assets together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

It is not the Group's or the Company's policy to enter into foreign exchange forward contracts in managing its foreign exchange risk resulting from cash flows on transactions denominated in foreign currency as transactions denominated in foreign currency are to be minimised, where possible.

At the end of the reporting period, the Group holds cash and cash equivalents denominated in foreign currencies, Hong Kong Dollar ("HKD") and United States Dollar ("USD"), amounting to RM41 (2010: RM40) and RM10,927 (2010: RM8,723) respectively.

No sensitivity analysis for foreign currency risk is prepared at the end of the reporting period as the Group does not have significant exposure to foreign currency risk.

The Group is exposed to foreign currency translation risk in respect of its overseas investments. There is no formal hedging policy with respect to this exposure.

Notes to the Financial Statements

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26. EARNINGS PER SHARE

(a) Basic

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

	2011 RM	Group 2010 RM
Profit attributable to equity holders of the parent	88,639,619	77,912,923
Weighted average number of ordinary shares in issue	436,931,418	399,999,667
Effect of bonus issue	218,465,708	199,999,834
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	655,397,126	599,999,501
Basic earnings per ordinary share (sen)	13.52	12.99

The basic earnings per ordinary share for both the financial years ended 2011 and 2010 have taken into effect of the bonus issue subsequent to the financial year ended 31 December 2011. The effect of bonus issue was reflected in accordance with FRS 133, where the per share calculations for all periods shall be adjusted retrospectively.

(b) Diluted

The diluted earnings per share for the financial year was not shown as there were no dilutive potential ordinary shares as at 31 December 2011 and 31 December 2010.

27. DIVIDENDS

	Group and Company			
	2011		2010	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
In respect of financial year ended 31 December 2010:				
- Interim dividend paid	–	–	1.50	5,999,985
- Final dividend	–	–	1.00	4,399,989
	–	–	2.50	10,399,974

Notes to the Financial Statements

31 December 2011

28. OPERATING SEGMENTS

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

Due to the similarities in the business operations between the two operating subsidiaries in the PRC, the Group's chief operating decision maker, the Group's Chief Executive Officer ('CEO') 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 and for performance assessment. Accordingly, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by FRS 8:

Sales revenue by region

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

Within the PRC:		
- Eastern region	58,606,598	84,004,528
- Southern region	177,692,111	151,299,296
- Western region	130,618,439	111,814,434
- Northern region	117,815,937	117,963,190
	484,733,086	465,081,448

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

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

Sales revenue by products

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

	Sales revenue by products	
	2011 RM	2010 RM
Sports shoes	255,791,286	248,493,916
Sports apparel, accessories and equipment	228,941,799	216,587,532
	484,733,086	465,081,448

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

Notes to the Financial Statements

31 December 2011

29. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group had entered into non-cancellable lease agreements for factory buildings and staff housing. The Group has aggregate future minimum lease commitment as at the end of the reporting period as follows:

	2011 RM	Group 2010 RM
Not later than one (1) year	1,308,684	1,220,974
Later than one (1) year and not later than five (5) years	3,926,052	4,883,894
Later than five (5) years	–	–
	5,234,736	6,104,868

(b) Capital commitments

	2011 RM	Group 2010 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	10,062,000	43,319,400
Approved but not contracted for	50,813,100	4,658,000

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 19 January 2011, the Company completed the listing and quotation of the first tranche of the private placement, which comprising 20,000,000 Placement Shares issued at an issue price of RM0.48 per Placement Share.

On 8 February 2011, the Company completed listing and quotation of the second and final tranche of the private placement, which comprising 19,999,900 Placement Shares issued at an issue price of RM0.48 per Placement Share.

Net proceeds raised from the above private placements were utilised for working capital purpose.

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

On 22 February 2012, the Company completed the listing and quotation of a private placement, which comprised 39,000,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.

On 1 March 2012, the Company completed the listing and quotation of another private placement, which comprised 4,999,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.

On 15 March 2012, the Company announced on the following:

- Bonus issue of 241,998,950 new ordinary shares of US\$0.10 each in the Company ("Bonus Shares"), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing ordinary shares held in the Company at 5.00 pm on 29 March 2012.
- Renounceable rights issue of 241,998,950 warrants in the Company ("Warrant(s)"), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares held in the Company at 5.00 pm on 29 March 2012.

Notes to the Financial Statements

31 December 2011

32. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained profits of XiDeLang Holdings Ltd				
- Realised	269,945,923	180,262,876	4,016,554	9,126,918
- Unrealised	(146,683)	(3,575,345)	–	–
	269,799,240	176,687,531	4,016,554	9,126,918
Less : Consolidation adjustments	(18,567,333)	(4,510,932)	–	–
Total Group/Company retained profits as per consolidated financial statements	251,231,907	172,176,599	4,016,554	9,126,918

List of Group Properties

Location	Description	Existing use	Tenure	Land area (square metres)	Net book value at 31 December 2011 (RM'000)
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (currently used as car park and temporary warehouse for storage of inventories)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	840	2,458
Hua Ting Kou Village, Chendai County, Jinjiang City, Fujian Province, PRC	Land use right	An industrial land (currently used as employees recreational centre)	Leasehold for 50 years (from 22.05.2006 to 22.05.2056)	576	441
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	11,927
		Construction in progress for buildings		58,000 (upon completion)	135,585
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	12,944
		Construction in progress for buildings		32,400 (upon completion)	58,611

Analysis of Shareholdings

as at 8 May 2012

Authorised Share Capital	:	USD300,000,000
Class of Shares	:	Ordinary shares of USD0.10 each
Voting Rights	:	One (1) vote per ordinary share

SHARE CAPITAL

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued capital
1 - 99	6	0.191	265	0.000
100 - 1,000	58	1.845	20,649	0.002
1,001 - 10,000	625	19.885	3,638,950	0.502
10,001 - 100,000	1,924	61.215	69,227,885	9.536
100,001 - 36,299,841 (*)	528	16.800	289,209,101	39.836
36,299,842 and above (**)	2	0.064	363,900,000	50.124
Total	3,143	100.000	725,996,850	100.000

Remark:

* Less than 5% of issued shares

** 5% & above of issued shares

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

	Direct Interest	% of issued capital
	No. of shares held	
HONGPENG INTERNATIONAL HOLDINGS LIMITED	363,900,000	50.12

DIRECTOR'S INTEREST

(As per Register of Director's Shareholdings)

	Indirect Interest	% of issued capital
Name of Director	No. of shares held	
Ding PengPeng^	363,900,000	50.12

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

Analysis of Shareholdings

as at 8 May 2012

THIRTY LARGEST SHAREHOLDERS AS AT 8 MAY 2012

No	Name	Holdings	Holding Percentage (%)
1	HONGPENG INTERNATIONAL HOLDINGS LIMITED	303,900,000	41.859
2	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR HONGPENG INTERNATIONAL HOLDINGS LIMITED	60,000,000	8.264
3	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR DING SIZU	10,885,901	1.499
4	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR LIN JINGBO	7,707,000	1.061
5	KUMPULAN WANG SIMPANAN GURU-GURU	7,500,000	1.033
6	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR LEONG KAM CHEE (002)	7,200,000	0.991
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	6,809,500	0.937
8	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR ZHUANG GUOHUA	6,017,850	0.828
9	CHIN SONG MOOI	5,400,000	0.743
10	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	4,500,000	0.619
11	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	4,306,250	0.593
12	ZULQAISAR BIN HAMIDIN	4,200,000	0.578
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI (472635)	4,014,100	0.552
14	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	4,000,000	0.550
15	TEH CHIN LEONG	3,750,000	0.516
16	LIM CHEAH CHOOI	3,700,000	0.509
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD TAN SENG	3,127,500	0.430
18	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SMB RESOURCES SDN BHD	3,000,000	0.413
19	ONG HOOI LIM	3,000,000	0.413

Analysis of Shareholdings

as at 8 May 2012

No	Name	Holdings	Holding Percentage (%)
20	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI	3,000,000	0.413
21	SYED MOHAMED BUHARI MOHAMED ANSARI	3,000,000	0.413
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ALEXANDER YAP CHEE ENG	2,820,500	0.388
23	UNIMECH ENGINEERING (K.L.) SDN. BHD.	2,535,000	0.349
24	TAN BENG HING	2,310,000	0.318
25	TAN SIEW HOONG	2,235,000	0.307
26	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MEI YUIN	2,179,350	0.300
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARTHUR YAP CHEE KEONG	2,099,550	0.289
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE HONG LEONG (CEB)	2,000,000	0.275
29	YAP CHOI NGA	2,000,000	0.275
30	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOH WONG YEN @ SIOH KWANG HWA	1,950,000	0.268
TOTAL		479,147,501	65.998

Analysis of Warrant Holdings as at 8 May 2012

Total Warrant Issued: 241,998,950

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	No. of holders	% of holders	No. of warrants held	% of issued warrant
1 - 99	1	0.062	50	0.000
100 - 1,000	63	3.923	44,200	0.018
1,001 - 10,000	740	46.077	4,134,950	1.709
10,001 - 100,000	650	40.473	23,266,400	9.614
100,001 - 12,099,946 (*)	150	9.340	89,205,750	36.862
12,099,947 and above (**)	2	0.125	125,347,600	51.797
Total	1,606	100.000	241,998,950	100.000

Remark:

* Less than 5% of issued warrants

** 5% & above of issued warrants

Analysis of Shareholdings

as at 8 May 2012

SUBSTANTIAL WARRANT HOLDERS

(As per Register of Substantial Warrant Holders)

	Direct Interest	
	No. of warrants held	% of issued warrant
HONGPENG INTERNATIONAL HOLDINGS LIMITED	125,347,600	51.796

DIRECTOR'S INTEREST

(As per Register of Director's Shareholdings)

Name of Director	Indirect Interest	
	No. of warrants held	% of issued warrant
Ding PengPeng^	125,347,600	51.796

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

THIRTY LARGEST WARRANT HOLDERS AS AT 8 MAY 2012

No	Name	Holdings	Holding Percentage (%)
1	HONGPENG INTERNATIONAL HOLDINGS LIMITED	105,347,600	43.532
2	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR HONGPENG INTERNATIONAL HOLDINGS LIMITED	20,000,000	8.264
3	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)	8,112,500	3.352
4	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR DING SIZU	7,595,100	3.138
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE HONG LEONG (CEB)	5,000,000	2.066
6	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR LEONG KAM CHEE (002)	4,200,000	1.735
7	OOI THEAN BOON	3,300,000	1.363
8	OSK NOMINEES (ASING) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR ZHUANG GUOHUA	2,555,400	1.055
9	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR KWONG MING KWEI (08KW032ZQ-008)	2,518,300	1.040
10	KUMPULAN WANG SIMPANAN GURU-GURU	2,500,000	1.033

Analysis of Shareholdings

as at 8 May 2012

No	Name	Holdings	Holding Percentage (%)
11	ONG KOOK LIONG	2,350,000	0.971
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	2,000,000	0.826
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK THYE	2,000,000	0.826
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	1,936,500	0.800
15	CHIN SONG MOOI	1,800,000	0.743
16	DAN YOKE PYNG	1,500,000	0.619
17	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	1,500,000	0.619
18	TEH CHIN LEONG	1,250,000	0.516
19	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG (08HE101Q1-008)	1,200,000	0.495
20	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	1,000,000	0.413
21	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI	1,000,000	0.413
22	TAN SOON LAI	1,000,000	0.413
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG	900,000	0.371
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD ONG WEI MIN	822,000	0.339
25	KHOR SEOW LING	810,000	0.334
26	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MEI YUIN	726,450	0.300
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAVINDRA A/L PANCHALINGAM	700,000	0.289
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARTHUR YAP CHEE KEONG	699,850	0.289
29	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	650,000	0.268
30	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEW BOON YEONG	600,000	0.247
TOTAL		185,573,700	76.683

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XIDELANG HOLDINGS LTD

(Bermuda Company No. 43136)

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

(Malaysian Foreign Company No. 995210-W)

(Registered as a Foreign Company in Malaysia under the Companies Act 1965 of Malaysia)

FORM OF PROXY

I/We NRIC/ Passport/ Company No
(Full Name in Capital Letters)

of
(Full Address)

being a member(s) of **XIDELANG HOLDINGS LTD** (Incorporated in Bermuda under the Companies Act 1981 of Bermuda – Company No. 43136) (Registered as a Foreign Company in Malaysia under the Companies Act 1965 of Malaysia - Company No. 995210-W)

hereby appoint NRIC/Passport No.....
(Full Name in Capital Letters)

of
(Full Address)

and/or failing him/her, NRIC/ Passport No.
(Full Name in Capital Letters)

of
(Full Address)

as my/our proxy to vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya, Malaysia on Tuesday, 19 June 2012 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' Fees for the financial year ended 31 December 2011.		
2.	To re-elect Ms Ding PengWan who retires pursuant to the Company's Bye-laws.		
3.	To re-elect Mr Wong Yoke Nyen who retires pursuant to the Company's Bye-laws.		
4.	To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
5.	Authority to issue shares.		
6.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
7.	Proposed Renewal of Authority for Xidelang Holdings Ltd to Purchase its own Shares Pursuant to the Prevailing Laws, Listing Requirements and Bye-Law.		

Signed this day of 2012.

Number of shares held	
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.....
Signature Shareholder or Common Seal

CDS Account No.

.....
Telephone no. (During office hours)

Notes:

- For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Bye-laws 58 (5) of the Company's Bye-laws and Section 34(l) of the Securities Industry (Central Depositories) Act 1991 of Malaysia to issue a General Meeting Record of Depositors as at 12 June 2012. Only a depositor whose name appears on the Record of Depositors as at 12 June 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 of Malaysia, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of an office, attorney or other person duly authorised to sign the same.
- The instrument appointing a proxy must be deposited at the Company's registered office in Malaysia i.e. Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting i.e. on or before 10.00 a.m., Sunday, 17 June 2012 or any adjournment thereof.

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AFFIX
STAMP

XIDELANG HOLDINGS LTD (995210-W)
LEVEL 18, THE GARDENS NORTH TOWER
MID VALLEY CITY
LINGKARAN SYED PUTRA
59200 KUALA LUMPUR

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XiDeLang Holdings Ltd

www.xidelang.com.my