

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.