

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of **Xingquan International Sports Holdings Limited** is pleased to report on the manner in which the Principles and Recommendations of Corporate Governance are applied and the extent of compliance thereon as set out in the Malaysian Code on Corporate Governance 2012 ("Code").

The Board subscribes to and supports the belief that good corporate governance practices are pivotal to enhancing shareholders' value. Hence, the Board is fully dedicated to continuously evaluate the Group's corporate governance practices and procedures to ensure that the principles and best practices in corporate governance are applied and adhered to in the best interests of its stakeholders.

The Statement below sets out the manner in which the Group has applied the Code and the extent of compliance with recommendations advocated there.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board is responsible for oversight and overall management of the Company and the Group, whilst the Management is responsible for the day-to-day operations of the business and effective implementation of Board decisions.

The Board, in carrying out its stewardship responsibility, has delegated certain responsibilities to the Audit Committee, Nominating Committee and Remuneration Committee. All committees have clearly defined terms of reference. The Chairman of the various committees will report to the Board the outcome of the committee meetings. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

To facilitate expeditious decisions, the Board has delegated certain functions to the Management. The Management consists of the Executive Chairman/Chief Executive Officer, Chief Financial Officer and Department Heads. The Management is duly authorised by the Board to approve business, operational and administrative decisions, review business strategies and operations and ensure adherence to policies and strategies approved by the Board.

1.2 Board Duties and Responsibilities

The Board has the following responsibilities, which facilitate the discharge of the Board's stewardship responsibilities in the best interest of the Group:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, determining the compensation and, where appropriate, replacing senior management;
- Developing and implementing an investor relations programme and shareholders' communications policy for the Group, and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is charged with, among others, the development of corporate objectives, the review and approval of corporate plans, annual budgets, major investments and financial decisions, and changes to the management and control structure within the Group including key risk management, financial and operational policies.

At each quarterly meeting, the Board deliberated and considered the Group's financial results.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.3 Formalised Ethical Standards through Code of Ethics

The Group has in place codes of ethics to govern the standard of ethics and good conduct of the Directors. The code of ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities.

1.4 Strategies Promoting Sustainability

The Group is committed to employing responsible practices with regard to the development and improvement of its employees, the environment as well as in our local communities. The Company employees are the greatest assets of the Group. As much as the Company commits to give back to the society, the Company also commits significant resources in nurturing human talents, technical skills upgrading, career development programs and lifelong learning. The Company aims to instil good civic values so that the employees too can act as ambassadors in advancing the worthy causes.

1. ENVIRONMENT HEALTH AND SAFETY

The Company is committed to protecting the health and safety of all individuals affected by the Company's activities, including the Company's employees, vendors and the public, and will not compromise the health and safety of any individual. The Company adopted the PRC's environment health and safety measures and mitigates impacts on the environment by working with our stakeholders, peers and others to promote responsible environmental practices and continuous improvement.

2. SOCIAL ACCOUNTABILITY

The Company is committed to maintaining high standards of integrity and corporate governance practices in order to maintain excellence in its daily operations and to promote confidence in the Company's governance systems.

3. SUSTAINABILITY

Stakeholder Relations

The Company will engage with stakeholders clearly, honestly and respectfully. The Company is committed to timely and meaningful dialogue with all stakeholders, including shareholders, customers, employees, governments and regulators among others.

Employee Relations

The Company will ensure that employees are treated fairly and with dignity and consideration for their goals and aspirations and that diversity in the workplace is embraced. The Company is committed to providing equal opportunity in all aspects of employment and will not engage in or tolerate unlawful workplace conduct, including discrimination, intimidation, or harassment.

Human Rights

The Company recognises that governments have the primary responsibility to promote and protect human rights. The Company will work with governments and agencies to support and respect human rights within our sphere of influence. The Company will not tolerate human rights abuses, and will not engage or be complicit in any activity that solicits or encourages human rights abuse.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.5 Access to Information and Advice

All scheduled meetings held during the year were preceded by a notice issued by the Company Secretary in consultation with the Executive Chairman. The Executive Chairman ensures that all Directors have full and timely access to information, with Board Papers distributed ahead of meetings. The notice for each of the meeting is accompanied by the minutes of preceding Board meeting, together with relevant information and documents for matters on the agenda to enable the Directors to consider and deliberate knowledgeably on issues and facilitate informed decision making.

The Directors have access to all information within the Group in furtherance of their duty. They also have access to the advice and services of the Company Secretary and independent professionals as and when required.

1.6 Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary ensures that all Board meetings are properly convened, and that proper record of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretary also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training and update the Board timely.

1.7 Board Charter

The Board has formulated and adopted a charter (Board Charter) on 18 October 2013. The Board Charter sets out the composition, roles and responsibilities and processes of the Board. The conduct of the Board is also governed by the Bye-laws of the Company.

The Board Charter, which serves as a strategic guidance and effective oversight of management, is also intended to provide a concise overview of:

1. clarification of the roles and responsibilities of the Board, individual director, Executive Chairman/ Chief Executive Officer and management to facilitate the Board, individual director, Executive Chairman/Chief Executive Officer and management's accountability to the Company and its shareholders;
2. delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and
3. Board operating procedures and practices pertaining to meetings, training and development, code of conduct and declarations on conflicts of interest.

The Board Charter, which is subject to periodic review by the Board after taking into the latest legal and regulatory requirements, is accessible through the Company's website at www.xingquan-international.com.

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee

The Nominating Committee was set up on 1 June 2009 and presently its members are as follows:

Zhou Liyi (Senior Independent Non-Executive Director) - Chairman
Madam Ng Sio Peng (Non Independent Non-Executive Director)
Tan Eng Choon (Independent Non-Executive Director)

The Nominating Committee shall be appointed by the Board from amongst the Directors of the Company and in accordance with the Code which requires the Nominating Committee to consist exclusively of Non-Executive Directors, the majority of whom are Independent Directors.

The responsibilities and duties of the Nominating Committee shall be:

- (i) to recommend the nomination of a person or persons for all directorships to be filled by the shareholders or Board;
- (ii) to consider, in making its recommendations, candidates for directorship proposed by the Executive Chairman and within the bounds of practicability, by any other senior executive or any director or shareholder;
- (iii) to recommend to the Board, directors to fill the seats on board committees;
- (iv) to identify, evaluate and recommend candidates for appointment as Company Secretary;
- (v) to assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual director and thereafter, recommend its findings to the Board; and
- (vi) to review annually the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board and thereafter, recommend its findings to the Board.

Summary activities of the Nominating Committee

During the financial year, the following activities were carried out by the Nominating Committee:

- (i) reviewed the mix of skill and experience and other qualifications of the Board;
- (ii) increased the effectiveness of the Board, Board Committees and the Directors; and
- (iii) discussed the Company Directors retirement by rotation.

2.2 Develop, Maintain, Review Criteria for Recruitment and Annual Assessment

(i) Recruitment or Appointment of Directors

The Board does not set specific criteria for the assessment and selection of director candidate. However, the consideration would be taken on the need to meet the regulatory requirement such as Bermuda Companies Act, 1981, Malaysian Companies Act, 1965 and Bursa Securities Main Market Listing Requirements ("Listing Requirements"), the achievement in the candidate personal career, integrity, independence of the candidate, ability to make independent and analytical inquiries, ability to work as team to support the Board, possession of the required skill, qualification and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Develop, Maintain, Review Criteria for Recruitment and Annual Assessment (cont'd)

(i) Recruitment or Appointment of Directors (cont'd)

In accordance with the Company's Bye-laws, at each Annual General Meeting, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office and an election of Directors shall take place provided always that each Director shall retire at least once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not. An election of Directors shall take place each year.

The director who is subject to re-election and/or re-appointment at next Annual General Meeting shall be assessed by the Nominating Committee before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee would be based on the yearly assessment conducted.

(ii) Annual Assessment

The Nominating Committee met twice during the financial year ended 30 June 2014 to review the effectiveness of the Board, its Committees and the contribution of each individual Director, including the required mix of skills and core competencies necessary for the Board to discharge its duties effectively. Both meetings were attended by all the members.

(iii) Gender Diversity Policy

The Board has established a gender diversity policy and the target has been achieved to have at least one woman participating on the Board.

2.3 Remuneration Committee

The Remuneration Committee which is a sub-committee of the Board comprises three (3) members of two (2) Non-Independent Non-Executive Directors and one (1) Independent Non-Executive Director as follows:

Madam Ng Sio Peng (Non Independent Non-Executive Director) - Chairperson
Zhou Liyi (Senior Independent Non-Executive Director)
Ooi Guan Hoe (Non-Independent Non-Executive Director)

The Remuneration Committee was appointed by the Board from amongst the Directors of the Company and in accordance with the Code which required the Remuneration Committee to consist exclusively or a majority of Non-Executive Directors.

The responsibilities and duties of the Remuneration Committee are to review and recommend to the Board of Directors the remuneration packages of Executive Directors of the Company in all its forms. The remuneration package of Non-Executive Directors is to be determined by the Board of Directors as a whole subject to the shareholders' approval.

The Remuneration Committee met once during the financial year and recommended to the Board the remuneration packages of the Executive Directors. The meeting was attended by all the members.

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Remuneration Committee (cont'd)

For the financial year ended 30 June 2014, a total sum of RMB15,012,446 was paid to the Executive and Non-Executive Directors of the Company. The details of the Directors' remuneration for the financial year ended 30 June 2014 are as follows:

	Director Salaries and other emoluments RMB	Director Fee RMB	Director Allowance RMB	Total RMB
Executive Directors	13,486,285	–	–	13,486,285
Non-Executive Director	1,209,079	289,865	27,216	1,526,160
Range of remuneration			Executive Directors	Non- Executive Directors
Below RMB160,000			–	2
RMB400,000 – RMB450,000			–	1
RMB900,001 – RMB950,000			–	1
RMB5,600,001 – RMB5,650,000			1	–
RMB7,850,001 – RMB7,900,000			1	–

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board adopted the concept of independence in tandem with the definition of Independent Director in the Listing Requirements through the assistance of the Nominating Committee. The Board also carries out an annual assessment to ensure the effectiveness of the independence of its independent directors.

The Board is satisfied with the level of independence demonstrated by all the Non-Executive Directors, and their ability to act in the best interest of the Company.

3.2 Tenure of Independent Directors

None of the Independent Directors have been in service for more than nine (9) years.

3.3 Separation of Positions of the Chairman and CEO

Under the Code, the role of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Board continues to be mindful of the combined role of the Executive Chairman and Chief Executive Officer positions currently held by Dato' Wu Qingquan. In the best interest of the Group, this combined role is maintained as the valuable knowledge in the Group's business operation contributed by Dato' Wu Qingquan is essential to the effective management of the Group. The balance of authorization is ensured by the operation of the senior management and the Board, which comprises experienced and fair minded individuals. The Board currently comprises two (2) Executive Directors, two (2) Non-Executive Directors and two (2) Independent Non Executive Directors and therefore has a strong independence element in its composition.

3. REINFORCE INDEPENDENCE (CONT'D)

3.4 Composition of the Board

The Board takes cognisance that the Code recommends that where the chairman of the Board is not an independent director, majority of the Board must comprise of independent directors. However, the Board has decided to depart from this recommendation as the Board acknowledges that the Executive Chairman, Dato' Wu Qingquan has vast experience in managing the Group's operations. Dato' Wu Qingquan has exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company and he has provided objectivity in decision making and ensured effective check and balance in the proceedings of the Board.

4. FOSTER COMMITMENT

4.1 Time Commitment

Board meetings are held at quarterly intervals with additional meetings held whenever necessary. Five (5) Board meetings were held during the financial year ended 30 June 2014.

The agenda for each Board meeting is circulated to all the Directors for their perusal well in advance of the Board meeting date. The Directors are given sufficient time to obtain further information and explanation, where necessary, in order to be briefed properly before the meeting.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Details of the attendance of the Directors at the meetings for the financial year are as set out below:

Directors	No. of meetings attended
Wu Qingquan	5/5
Wu Lianfa	5/5
Ng Sio Peng	5/5
Zhou Liyi	5/5
Tan Eng Choon	5/5
Ooi Guan Hoe	5/5

The Directors are required to submit update on their other directorships to the Company Secretary whenever there is a change. To facilitate the Directors in their time planning, an annual meeting calendar is prepared and circulated to the Directors before the beginning of each year.

4.2 Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Securities. Every Director will undergo continuous training to equip himself/herself to effectively discharge his/her duties as a director from time to time. The Company will provide briefing for new members of the Board, when necessary, to ensure they have a comprehensive understanding of the Group's operations. The training needs of Directors would be assessed and proposed by the individual Director. Each Director determines the areas of training that he or she may require for personal development as a Director or as a member of a Board Committee.

During the financial year under review, the Directors attended seminars or briefings conducted by the regulatory authorities or members of professional bodies or industries, in order to keep abreast with the latest developments and updates, and to enhance and fulfill their responsibilities as Directors of the Company.

4. FOSTER COMMITMENT (CONT'D)

4.2 Training (cont'd)

Seminars or briefings attended by the Directors during the financial year under review were as follows:

- Xiamen City 2013 to 2014 Senior Accountant Training
- China Tax Distant learning programme
- 2014 Identification of fictitious financial statement training
- Procurement Fraud
- Cross-Border Mergers & Acquisitions Seminar
- Identifying and Engaging the Investment Community: Investor Relations Best Practices of Southeast Asian and Global Companies
- 2014 Apparel Market and Operational Strategy Analysis
- Marketing skills
- Brand management
- Successful shelf display method

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board on these updates quarterly.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board is responsible for ensuring that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The Directors took reasonable steps to ensure that the requirements of accounting standards were fully met. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board of Directors prior to their release to Bursa Securities.

5.2 Assessment of Suitability and Independence of External Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements.

The Audit Committee undertakes an annual assessment of suitability and independence of the external auditors. Having assessed their performance, the Audit Committee will recommend their re-appointment decision to the Board, upon which the shareholders' approval will be sought at the AGM.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The risk management and internal control system is regularly reviewed by Management and relevant recommendations are made to the Audit Committee and Board for approval. The Company continues to maintain and review its internal control procedures to ensure that its assets and its shareholders' investments are protected.

6.2 Internal Audit Function

The Group's internal audit function was outsourced to a professional audit firm who reports to the Audit Committee.

Details of the Group's risk management and internal control system are set out in the Statement on Risk Management and Internal Control of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Group has in place policies and procedures for compliance with the Listing Requirements. Persons responsible for preparing the disclosure will conduct proper verification, as well as coordinate the efficient disclosure of material information to the investing public. The Board is mindful that information which is expected to be material must be announced immediately to Bursa Securities.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Group maintains a corporate website at www.xingquan-international.com which provides information relating to annual reports, press releases, quarterly results, announcements and product information. In line with the Code, the Board Charter, Code of Conduct and other relevant documents or reports relating to Corporate Governance would be made available on the aforesaid website.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meeting

The Board acknowledges that general meetings are important avenues in engaging with shareholders and they provide a platform for Board dialogue and interaction with shareholders and investors who may seek clarification on the Group's business, performance and prospects. Shareholders are notified of the AGM and provided with a copy of the Company's Annual Report at least twenty-one (21) days before the meeting. At the AGM, shareholders are encouraged to ask questions or seek clarifications on the agenda of the meeting. All Directors are available to respond to questions from shareholders during the meeting. The external auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders.

8.2 Encourage Poll Voting

The rights of shareholders, including the right to demand for a poll, are found in the Bye-laws of the Company. At the Fifth Annual General Meeting of the Company held on 20 December 2013, the Director had notified the shareholders of their right to demand a poll vote at the commencement of the Annual General Meeting.

8.3 Effective Communication and Proactive Engagement

The Board recognises the importance of effective communication with shareholders. Quarterly reports on the Group's results and announcements can be accessed from Bursa Securities' website. The AGM is the main forum for dialogue with shareholders.

Any enquiry regarding the Company and its group of companies may be conveyed to our Director, Mr Ooi Guan Hoe. (Email address: guanhoe88@gmail.com)

This Statement on Corporate Governance is made in accordance with the resolution of the Board dated 22 September 2014.