

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 DECEMBER 2013
 Quarter : 4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

PARTICULARS	NOTE	UNAUDITED AS AT 31-Dec-13 RMB'000	AUDITED AS AT 31-Dec-12 RMB'000	UNAUDITED AS AT 31-Dec-13 RM'000 (1)	AUDITED AS AT 31-Dec-12 RM'000 (1)
ASSETS					
Non-current assets					
Property, plant and equipment		275,256	285,167	148,308	153,648
Intangible assets		18,490	36,254	9,963	19,534
		<u>293,746</u>	<u>321,421</u>	<u>158,271</u>	<u>173,182</u>
Current assets					
Inventories		24,148	14,647	13,011	7,892
Trade receivables		141,053	77,441	75,999	41,725
Prepayment and other receivables		2,651	1,235	1,428	665
Cash and bank balances		501,440	488,782	270,176	263,356
		<u>669,292</u>	<u>582,105</u>	<u>360,614</u>	<u>313,638</u>
Total assets		<u>963,038</u>	<u>903,526</u>	<u>518,885</u>	<u>486,820</u>
EQUITY AND LIABILITY					
Capital and Reserves					
Share capital		175,361	175,361	94,484	94,485
Reserve		663,036	621,118	357,244	334,658
Total equity		<u>838,397</u>	<u>796,479</u>	<u>451,728</u>	<u>429,143</u>
Current liabilities					
Trade payables		61,403	39,610	33,084	21,342
Accrued liabilities and other payables		29,494	29,709	15,892	16,007
Amount owing to a shareholder cum director		-	-	-	-
Income tax payable		6,244	10,228	3,364	5,511
Interest-bearing bank borrowings		27,500	27,500	14,817	14,817
		<u>124,641</u>	<u>107,047</u>	<u>67,157</u>	<u>57,677</u>
Total equity and liabilities		<u>963,038</u>	<u>903,526</u>	<u>518,885</u>	<u>486,820</u>
Net Assets per share attributable to equity holders of the Group (sen in RMB / RM)	B13	162.01	153.91	87.29	82.93

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

Note :

(1) The presentation currency of this unaudited and audited interim financial statement is Renminbi ("RMB"). Supplementary information in Ringgit Malaysia ("RM") shown is for reference only and is based on the exchange rate of RMB1 to RM0.5388 as at 31 December 2013.

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 DECEMBER 2013
 Quarter : 4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED CURRENT QUARTER 31-Dec-13 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-12 RMB'000	UNAUDITED CURRENT QUARTER 31-Dec-13 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-12 RM'000 (1)
Revenue		198,202	196,605	106,791	105,931
Cost of sales		(148,683)	(143,074)	(80,110)	(77,088)
Gross Profit		49,519	53,531	26,681	28,843
Other income		724	433	390	233
Selling and distribution expenses		(9,749)	(3,388)	(5,253)	(1,825)
Administrative expenses		(29,346)	(11,731)	(15,812)	(6,321)
Finance costs		(438)	(456)	(236)	(246)
Profit before taxation		10,710	38,389	5,770	20,684
Income tax expenses		(6,243)	(10,228)	(3,364)	(5,511)
Profit / (Loss) after taxation		4,467	28,161	2,406	15,173
Total comprehensive income for the period		4,467	28,161	2,406	15,173
Profit / (Loss) attributable to :					
- Equity holders of the Group		4,467	28,161	2,406	15,173
Total comprehensive income / (loss) attributable to :					
- Equity holders of the Group		4,467	28,161	2,406	15,173

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
		CURRENT QUARTER 31-Dec-13 RMB'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-12 RMB'000	CURRENT QUARTER 31-Dec-13 RM'000 (1)	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-12 RM'000 (1)
Earnings / (Loss) per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B13	0.86	5.44	0.46	2.93
Diluted (sen in RMB / RM)	B13	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

Note :

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Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 31 DECEMBER 2013
 Quarter : 4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2013

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED CURRENT YEAR TO-DATE 31-Dec-13 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-12 RMB'000	UNAUDITED CURRENT YEAR TO-DATE 31-Dec-13 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-12 RM'000 (1)
Revenue		712,290	769,275	383,782	414,486
Cost of sales		(524,055)	(557,815)	(282,361)	(300,551)
Gross Profit		188,235	211,460	101,421	113,935
Other income		2,143	3,224	1,155	1,737
Selling and distribution expenses		(39,525)	(12,754)	(21,296)	(6,872)
Administrative expenses		(73,008)	(31,071)	(39,337)	(16,741)
Finance costs		(1,778)	(1,740)	(958)	(938)
Profit before taxation		76,067	169,119	40,985	91,121
Income tax expenses		(34,149)	(43,609)	(18,400)	(23,496)
Profit after taxation		41,918	125,510	22,585	67,625
Total comprehensive income for the period		41,918	125,510	22,585	67,625
Profit attributable to :					
- Equity holders of the Group		41,918	125,510	22,585	67,625
Total comprehensive income attributable to :					
- Equity holders of the Group		41,918	125,510	22,585	67,625

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
		CURRENT	PRECEDING	CURRENT	PRECEDING
		YEAR TO-DATE	YEAR	YEAR TO-DATE	YEAR
		31-Dec-13	CORRESPONDING	31-Dec-13	CORRESPONDING
			PERIOD		PERIOD
		31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
		RMB'000	RMB'000	RM'000 (1)	RM'000 (1)
Earnings per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B13	8.10	24.25	4.36	13.07
Diluted (sen in RMB / RM)	B13	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

Note :

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Company Name : MULTI SPORTS HOLDINGS LTD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

	← Attributable to Equity Holders of The Group →					
	Share Capital	Share Premium	Statutory Reserve	Merger Deficit	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance At 1 January 2013	175,361	137,426	23,353	(54,916)	515,255	796,479
Net profit for the period	-	-	-	-	41,918	41,918
Transfer to statutory reserve	-	-	3,850	-	(3,850)	-
At 31 December 2013	175,361	137,426	27,203	(54,916)	553,323	838,397

	← Attributable to Equity Holders of The Group →					
	Share Capital	Share Premium	Statutory Reserve	Merger Deficit	Retained Earnings	Total Equity
	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)
Balance At 1 January 2013	94,484	74,046	12,582	(29,589)	277,620	429,143
Net profit for the period	-	-	-	-	22,585	22,585
Transfer to statutory reserve	-	-	2,074	-	(2,074)	-
At 31 December 2013	94,484	74,046	14,656	(29,589)	298,131	451,728

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

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Company Name : MULTI SPORTS HOLDINGS LTD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

	← Attributable to Equity Holders of The Group →					
	Share Capital	Share Premium	Statutory Reserve	Merger Deficit	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance At 1 January 2012	175,361	137,426	23,353	(54,916)	422,669	703,893
Net profit for the period	-	-	-	-	125,510	125,510
Dividends paid	-	-	-	-	(32,924)	(32,924)
At 31 December 2012	175,361	137,426	23,353	(54,916)	515,255	796,479

	← Attributable to Equity Holders of The Group →					
	Share Capital	Share Premium	Statutory Reserve	Merger Deficit	Retained Earnings	Total Equity
	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)	RM'000 (1)
Balance At 1 January 2012	94,485	74,045	12,583	(29,589)	227,734	379,258
Net profit for the period	-	-	-	-	67,625	67,625
Dividends paid	-	-	-	-	(17,740)	(17,740)
At 31 December 2012	94,485	74,045	12,583	(29,589)	277,619	429,143

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

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Company Name : MULTI SPORTS HOLDINGS LTD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013

	UNAUDITED CURRENT PERIOD 31-Dec-13 RMB'000	UNAUDITED PRECEDING PERIOD 31-Dec-12 RMB'000	UNAUDITED CURRENT PERIOD 31-Dec-13 RM'000 (1)	UNAUDITED PRECEDING PERIOD 31-Dec-12 RM'000 (1)
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation	76,067	169,119	40,985	91,121
Adjustments for :-				
Depreciation of property, plant and equipment	20,814	19,646	11,214	10,585
Amortisation of intangible assets	3,399	1,200	1,831	647
Amortisation of land use rights	-	-	-	-
Impairment of intangible assets	15,005	-	8,085	-
Loss on disposal of property, plant & equipment and intangible asset	526	2,089	283	1,126
Gain on disposal of land use rights	-	-	-	-
Interest income	(1,786)	(3,058)	(962)	(1,648)
Interest expense	1,778	1,740	958	938
Operating profit before working capital changes	115,803	190,736	62,394	102,769
Increase in inventories	(9,502)	(1,184)	(5,119)	(638)
Decrease/ (increase) in trade and other receivables	(65,028)	14,371	(35,037)	7,743
Increase / (decrease) in trade and other payables	21,579	(14,493)	11,627	(7,808)
Net cash generated from operations	62,852	189,430	33,865	102,066
Income tax paid	(38,134)	(49,756)	(20,547)	(26,809)
Interest received	1,786	3,058	962	1,648
Interest paid	(1,778)	(1,740)	(958)	(938)
Net cash generated from operating activities	24,726	140,992	13,322	75,967
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(11,631)	(64,132)	(6,267)	(34,554)
Acquisition of trademark	(641)	(18,500)	(345)	(9,968)
Proceed from disposal of property, plant & equipment and intangible asset	204	990	110	533
Net cash (used in)/ from investing activities	(12,068)	(81,642)	(6,502)	(43,989)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceed from issue of shares	-	-	-	-
Share issue expenses written off against share premium account	-	-	-	-
Repayment to a director	-	-	-	-
Obtained of bank loan	-	27,500	-	14,817
Repayment of bank loan	-	(27,500)	-	(14,817)
Deposit refunded from bank	-	-	-	-
Dividends paid	-	(32,924)	-	(17,740)
Net cash (used in)/ from financing activities	-	(32,924)	-	(17,740)

	UNAUDITED CURRENT PERIOD 31-Dec-13 RMB'000	UNAUDITED PRECEDING PERIOD 31-Dec-12 RMB'000	UNAUDITED CURRENT PERIOD 31-Dec-13 RM'000 (1)	UNAUDITED PRECEDING PERIOD 31-Dec-12 RM'000 (1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,658	26,426	6,820	14,238
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	488,782	462,356	263,356	249,118
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	501,440	488,782	270,176	263,356
Cash and cash equivalents comprise:				
Cash and bank balances	501,440	488,782	270,176	263,356
Less: Deposit pledged with bank	-	-	-	-
	501,440	488,782	270,176	263,356

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements. .

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A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1. Basis of accounting and changes in accounting estimates

a) Basis of accounting

The interim financial reports are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (“IAS”) 34 : Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2012, and the accompanying explanatory notes attached to this interim financial report.

b) Changes in accounting policies

On 1 January 2012, the Group adopted the new or revised Financial Reporting Standard (“IFRS”) and interpretations that are mandatory for application on that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

(i) IFRS and IFRIC Interpretations that are issued, not yet effective and have not been adopted early

The Group has not adopted the following revised IFRS, amendments to IFRS, new IFRS and IFRIC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:-

Reference	Description	Effective for financial periods beginning on or after
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	01.07.2011
IFRS 9	Financial Instruments – Clarification and Measurement	01.01.2013
IFRS 10	Consolidated Financial Statements	01.01.2013
IFRS 12	Disclosure of interests in Other Entities	01.01.2013
IFRS 13	Fair value measurement	01.01.2013
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	01.07.2012
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets	01.01.2012
IAS 19 (as revised in 2011)	Employee Benefits – Amended Standard resulting from the Post- Employment Benefits and Termination Benefits projects	01.01.2013

The management does not anticipate that the adoption of the above those IFRSs that have been issued but not yet effective (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

2. Seasonality or cyclical operation

The Group experienced lower level of production activities due to fewer working days as a result of Lunar New Year holidays in the first quarter of the year. Other than the mentioned factor, the business of the Group was not affected by any significant seasonal and cyclical factors.

3. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

4. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

5. Changes in share capital and debts

There were no issuances, cancellations, resale and repayments of debt and equity securities for the current financial year to date.

6. Dividends paid

There were no dividends paid during the period under review.

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7. Segment Information

Business Segments

Financial period ended 31 December 2013
(unaudited)

	TPR	RB	MD1	MD2	Apparels	Accessories	TOTAL
	Shoe soles	Shoe soles	Shoe soles	Shoe soles	Apparels	Accessories	TOTAL
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue							
- External sales	26,329	16,902	117,225	511,583	38,639	1,612	712,290
Segment profit	5,284	3,377	23,691	103,383	(52,399)	(2,756)	80,580
Unallocated interest income							187
Unallocated other expenses							(4,700)
Profit from operations							76,067
Other information:							
Interest income	66	42	295	1,287	91	5	1,786
Interest expenses	(65)	(42)	(294)	(1,281)	(91)	(5)	(1,778)
Additions to non-current assets *	436	279	1,954	8,527	1,022	54	12,272
Depreciation and amortisation	(828)	(530)	(3,714)	(16,205)	(2,789)	(147)	(24,213)

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible assets.

Financial period ended 31 December 2013
(unaudited)

Segment assets	34,285	21,912	153,721	670,790	44,809	2,357	927,874
Segment liabilities	4,429	2,830	19,856	86,644	2,770	146	116,675

As at
31-Dec-13
RMB'000
(Unaudited)

Segment assets are reconciled to total assets as follows:

Segment assets	927,874
Unallocated Prepayment and other receivable	277
Unallocated Cash at bank & on hand	34,887
Total assets	963,038

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	116,675
Unallocated Income tax payable	6,244
Unallocated Accruals and Other payables	1,722
Total liabilities	124,641

Business Segments

Financial period ended 31 December 2013 (unaudited)

	TPR	RB	MD1	MD2	Apparels	Accessories	TOTAL
	Shoe soles	Shoe soles	Shoe soles	Shoe soles	Apparels	Accessories	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue							
- External sales	14,186	9,107	63,161	275,641	20,819	868	383,782
Segment profit	2,847	1,819	12,765	55,703	(28,232)	(1,485)	43,417
Unallocated interest income							101
Unallocated other expenses							(2,533)
Profit from operations							40,985
Other information:							
Interest income	35	23	159	693	49	3	962
Interest expenses	(35)	(23)	(158)	(690)	(49)	(3)	(958)
Additions to non-current assets	235	150	1,053	4,594	551	29	6,612
Depreciation and amortisation	(446)	(285)	(2,001)	(8,731)	(1,503)	(79)	(13,045)

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible assets.

Financial period ended 31 December 2013 (unaudited)

Segment assets	18,473	11,806	82,825	361,422	24,143	1,270	499,939
Segment liabilities	2,386	1,525	10,698	46,684	1,493	79	62,865

As at
31-Dec-13
RM'000
(Unaudited)

Segment assets are reconciled to total assets as follows:

Segment assets	499,939
Unallocated prepayment and other receivable	149
Unallocated cash at bank & on hand	18,797
Total assets	518,885

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	62,865
Unallocated income tax payable	3,364
Unallocated accruals and other payables	928
Total liabilities	67,157

Business Segments

	Financial period ended 31 December 2012 (Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	RMB'000
Segment revenue					
- External sales	37,136	19,984	141,887	570,268	769,275
Segment results	8,509	4,473	31,816	128,844	173,642
Unallocated interest income					2
Unallocated other expenses					(5,674)
Profit from operations					167,970
Other information:					
Interest income	94	49	350	1,415	1,908
Interest expenses	(85)	(45)	(319)	(1,291)	(1,740)
Additions to non-current assets *	4,049	2,129	15,140	61,314	82,632
Depreciation and amortisation	(1,021)	(537)	(3,820)	(15,468)	(20,846)

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

	Financial year ended 31 December 2012 (Audited)				
Segment assets	41,190	21,656	154,019	623,733	840,598
Segment liabilities	4,675	2,458	17,482	70,797	95,412

**As at
31 December 2012
RMB'000
(Audited)**

Segment assets are reconciled to total assets as follows:

Segment assets	840,598
Unallocated prepayment and other receivables	1,181
Unallocated cash at bank and on hand	43,949
Unallocated intangible assets	17,798
Total assets	903,526

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	95,412
Unallocated income tax payable	10,228
Unallocated accruals and other payables	1,407
Total liabilities	107,047

Business Segments

	Financial period ended 31 December 2012				
	(Unaudited)				
	TPR Shoe soles RM'000	RB Shoe soles RM'000	MD1 Shoe soles RM'000	MD2 Shoe soles RM'000	TOTAL RM'000
Segment revenue:					
- External sales	20,009	10,767	76,449	307,260	414,485
Segment results	4,585	2,410	17,142	69,421	93,558
Unallocated interest income					1
Unallocated other expenses					(3,057)
Profit from operations					90,502
Other information:					
Interest income	51	26	189	762	1,028
Interest expenses	(46)	(24)	(172)	(696)	(938)
Additions to non-current assets *	2,182	1,147	8,157	33,036	44,522
Depreciation and amortisation	(550)	(289)	(2,058)	(8,334)	(11,231)

* - Addition to non-current assets consist of additions to property, plant and equipment and intangible asset.

Financial year ended 31 December 2012					
(Audited)					
Segment assets	22,193	11,669	82,985	336,067	452,914
Segment liabilities	2,519	1,325	9,419	38,145	51,408

	As at 31 December 2012 RM'000 (Audited)
Segment assets are reconciled to total assets as follows:	
Segment assets	452,914
Unallocated prepayment and other receivables	636
Unallocated cash at bank and on hand	23,680
Unallocated intangible assets	9,590
Total assets	486,820
Segment liabilities are reconciled to total liabilities as follows:	
Segment liabilities	51,408
Unallocated income tax payable	5,511
Unallocated accruals and other payables	758
Total liabilities	57,677

8. Subsequent events

There were no material events subsequent to the end of the financial period under review that have not been reflected in this quarterly report as at the date of this report.

9. Changes in the composition of the Group

There were no significant changes in the composition of the Group during the current quarter.

10. Contingent liabilities or assets

No material contingent liabilities and assets, which upon becoming enforceable may have a material effect on the financial position of the Group since the last annual balance sheet date.

11. Property, plant & equipment and intangible asset

The Group acquired addition of property, plant & equipment as follow:

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Property, plant and equipment	5,805	3,128	11,631	6,267
Intangible asset	135	73	641	345
	<u>5,940</u>	<u>3,200</u>	<u>12,272</u>	<u>6,612</u>

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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

	Financial period ended		Change
	Unaudited 31-Dec-2013 RMB' 000	Unaudited 31-Dec-2012 RMB' 000	
<u>Revenue</u>			
TPR shoe soles	26,328	37,136	-29.1%
RB shoe soles	16,902	19,984	-15.4%
MD1 shoe soles	117,225	141,887	-17.4%
MD2 shoe soles	511,584	570,268	-10.3%
	<u>672,039</u>	<u>769,275</u>	-12.6%
Apparels	38,639	-	-
Accessories	1,612	-	-
	<u>40,251</u>	<u>-</u>	-
Total	<u>712,290</u>	<u>769,275</u>	-7.4%

	Financial period ended		Change
	Unaudited 31-Dec-2013 Pair ('000)	Unaudited 31-Dec-2012 Pair ('000)	
<u>Sales volume</u>			
TPR shoe soles	2,235	3,185	-29.8%
RB shoe soles	1,182	1,365	-13.4%
MD1 shoe soles	6,329	5,977	+5.9%
MD2 shoe soles	22,289	25,250	-11.7%
	<u>32,035</u>	<u>35,777</u>	-10.5%
Apparels (units)	139	-	-
Accessories (units)	14	-	-
	<u>40,251</u>	<u>-</u>	-

Overall:

The Group recorded profit after taxation of RMB41.9 (RM22.6) million for the current year compared to RMB125.5 (RM67.6) million in the preceding year. The Group's performance was affected by lower revenue, higher production costs and higher administrative expenses caused by impairment loss on intangible asset, renovation expenses, higher product development expenditure and depreciation expenses.

Sport-shoe soles:

The revenue dropped by 12.6% compared with last year. Sales volume for TPR, RB, MD1 and MD2 declined by 29.1%, 15.4%, 17.4% and 10.3% respectively. The change in sales mix was mainly due to the market trend and demand. Our production capacity has currently reached 45.0 million pairs annually. The production utilisation rate maintains at a moderate level of 67.5% in the current quarter.

Gross profit margin for the year ended 31 December 2013 has decreased to 26.0% from 27.5% for last year. The lower profit margin was due to the higher production costs arising from rises in labour and overhead costs; while prices of old products were being adjusted slightly lower and prices of new products were not high.

In line with the decrease in gross profit margin, the profit after taxation declined from 16.9% last year compared to 15.1% in the current year.

Apparels and accessories:

The Group commenced the trading of apparels under the brand name "Evidoma" during the fourth quarter of 2013. Hence, there was no revenue from the trading of apparels and accessories in the preceding year 2012.

The business recorded revenue of RMB40.3 (RM21.7) million for the current year with a gross profit margin of 33.3%. Despite that, it recorded a net loss of RMB55.2 (RM29.7) million for the current year due to impairment loss on intangible asset and significant start-up expenses incurred on renovation, store ownership transfer fees and stock ordering charges.

2. Variation of results against immediate preceding quarter

	Current quarter 31-Dec-13 RMB'000	Preceding quarter 30-Sep-13 RMB'000	Current quarter 31-Dec-13 RM'000	Preceding quarter 30-Sep-13 RM'000
Revenue	198,202	179,525	106,791	96,728
Gross profit	49,519	49,535	26,681	26,689
Profit / (Loss) after taxation	4,467	(3,580)	2,406	(1,929)

For fourth quarter performance, the Group recorded revenue of RMB198.2 (RM106.8) million and profit after taxation of RMB4.5 (RM2.4) million.

As compared with Q3 2013, revenue for the current quarter increased by 10.4% attributable to sales of fashion apparels and accessories, the business of which commenced in the current quarter. The commencement of the new business also resulted in an overall profit after taxation of RMB4.5 (RM2.4) million in the current quarter as compared to a loss after taxation of RMB4.0 (RM1.9) million in the immediate preceding quarter.

However, the gross profit margin for the current quarter dropped to 25.0% from 27.6% for the preceding quarter. The fall was caused by higher production costs arising from rises in labour and overhead costs; while prices of old products were being adjusted slightly lower and prices of new products were not high.

3. Prospects for FYE 2014

Our Company believes that the demand for sports-shoe soles and sports shoes in China will increase in the future. However, in the near term, the Group expects challenging market conditions to persist, plagued by de-stocking of inventories and continued discounting by several market players. Instead of focusing on closing book orders which might not be too profitable to the Group, the Group would undertake necessary reforms and adjustments, focus on higher margin orders, manage its overheads and other operating costs in order to improve its operating performance. Barring any unforeseen circumstances, the results for FYE 2014 would still be profitable.

4. Profit forecast and guarantee

No profit forecast or guarantee were previously announced and disclosed by the Group in a public document.

5. Income tax

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
PRC income tax	6,243	3,364	34,149	18,400

The effective tax rate of the Group for the current quarter was 44.9% as compared to the current Enterprise Income Tax (EIT) rate of 25.0%. The higher effective tax rate in the current quarter was mainly due to:-

- 1) higher operating expenses incurred by the holding corporation as well as the intermediate holding corporation which are non-tax deductible against the Group's profit; and
- 2) significant pre-tax losses, which are non-tax deductible against the Group's profit, incurred by new subsidiary company on newly commenced apparel trading business

6. Retained earnings

	Current Quarter Ended		Preceding Quarter Ended	
	RMB'000	RM'000	RMB'000	RM'000
Realised	553,054	297,985	552,217	297,534
Unrealised	(1,245)	(670)	(1,025)	(552)
	551,809	297,315	551,192	296,982
Consolidation adjustments	1,514	816	1,514	816
Total Group retained profits as per Consolidated accounts	553,323	298,131	552,706	297,798

7. Profit before taxation

The Group's profit before taxation is arrived after charging/ (crediting):

	Current Quarter		Current Year-to-date	
	RMB'000	RM'000	RMB'000	RM'000
Interest income	(648)	(349)	(1,786)	(962)
Other income	(76)	(41)	(357)	(192)
Interest expenses	438	236	1,778	958
Depreciation and amortisation	6,187	3,334	24,213	13,045
Foreign exchange (gain)/ loss	206	111	1,366	736

8. Status of corporate proposals and utilisation of proceeds

(a) Utilisation of IPO proceeds

The Public Issue raised gross proceeds of RM48.96 million and we have utilised the proceeds raised in the following manner: -

	Estimated timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Explanations
(i)	Expansion of production capacity				
	- Production Centre	25,000	89,807	(64,807)	(1)
	- Production Line	5,000	5,600	(600)	(1)
		<u>30,000</u>	<u>95,407</u>	<u>(65,407)</u>	
(ii)	Expansion of sales and marketing network in China	3,960	1,095	2,865	(2)
(iii)	Advertising and branding	3,000	3,000	Nil	
(iv)	Enhancement of product development capabilities	4,000	5,245	(1,245)	(3)
(v)	Working capital	1,000	1,000	Nil	
(vi)	Estimated Listing expenses	7,000	7,695	(695)	(4)
	Total proceeds	48,960	113,442		

Notes :

- (1) The construction of a new production centre has been completed and the total cost of production centre was RM89.8 million, out of which RM25 million was financed via the IPO proceeds and the deviation of RM64.8 million was financed via funds generated internally by the Group. The total expansion cost of machinery and equipment amounting to RM5 million was financed via IPO proceeds and the deviation of RM0.6 million was financed via internal generated funds.
- (2) IPO proceeds will be utilised by the end of 2014 and the Group does not expect any material deviation as at the date of this report.
- (3) The product development expenditure is RM5.2m, out of which RM4.0m was from the IPO proceeds and the deviation of RM1.2 million was financed via the funds generated internally by the Group.
- (4) The total listing expenses were RM7.7 million, out of which RM2.7 million was offset against share premium as these transaction costs were directly relating to the public initial offering and the issuance of equity instrument. The deviation of RM0.7 million was financed via the funds generated internally by the Group.

(b) Utilisation of Rights Share proceeds

The Rights Share Issue raised gross proceeds of RM34.20 million and we have utilised the proceeds raised in the following manner: -

	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Explanations
(i) Expansion of production capacity				
- Production Centre & Production line	33,200	33,296	(96)	(1)
(ii) Estimated issuance expenses	1,000	1,000	-	(2)
Total proceeds	34,200	34,296		

Note :

- (1) The total expansion cost of machinery and equipment amounting to RM33.2 million was financed via rights share issue proceeds and the deviation of RM0.10 million was financed via internal generated funds.
- (2) The total Rights Share expenses amounting to RM0.94 million were offset against share premium as these transaction costs were directly relating to the issuance of Rights Share. The deviation of RM0.06 million has been utilized as working capital by the Group.

(C) Utilisation of TDR proceeds

The TDR Issue raised gross proceeds of TWD236.25 (RM24.768) million and we have utilised the proceeds raised in the following manner: -

	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Explanations
(i) Expansion of production capacity				
- Production line	14,595	3,102	11,493	(1)
(ii) Working capital	7,873	-	7,873	(2)
(iii) Estimated issuance expenses	2,300	2,653	(353)	(3)
Total proceeds	24,768	5,755		

Note :

- (1) The Company has completed its TDR issuance and listing on 30 December 2011.
- (2) TDR proceeds have been deposited into a bank in Hong Kong. Due to exchange controls, the proceeds will be converted into share capital of its subsidiary for utilization as working capital. As of 31 December 2013, the Company has completed the conversion of RM4.0 million into share capital while the balance of proceeds amounting to RM3.9 million is still pending conversion.
- (3) The total listing expenses were RM2.653 million, out of which RM0.94 million was offset against share premium as these transaction costs were directly relating to the public initial offering and the issuance of equity instrument. The deviation of RM0.353 million was financed via the funds generated internally by the Group

9. Group borrowings and debts securities

Our Group's borrowings and debts securities as at 31 December 2013 were as follow: -

<u>Short term borrowings and debts securities</u>	RMB'000	RM'000
Bank loans - secured	27,500	14,817

The bank loans were pledged by the Group's land use rights.

10. Off-balance sheet financial instruments risks

As at the date of this report, neither do we have nor are we using any financial instruments.

11. Changes in material litigation

As at the date of this report, our Group is not engaged either as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, our Directors are also not aware of any proceedings pending or threatening or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

12. Proposed dividend

The Board of Directors does not recommend any dividends for the current financial quarter under review.

13. Net asset and earnings per share

The Company and the Group	Weighted average no. of shares	
	31 December 2013	31 December 2012
At beginning of year	517,500,000	517,500,000
Underlying shares for TDR issue	-	-
Total	<u>517,500,000</u>	<u>517,500,000</u>

Net asset per share are calculated based on net asset attributable to equity holders of the Group and weighted average number of 517,500,000 ordinary shares in issue for the financial period/ year ended 31 December 2013 and 31 December 2012 respectively.

Basic earnings per share are calculated based on profit attributable to equity holders of the Group and weighted average number of 517,500,000 ordinary shares fully in issue for the financial period ended 31 December 2013 and 31 December 2012 respectively.

There is no potential dilutive effect on earnings per share.

14. Audit report of the Group's preceding annual financial statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2012.

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