

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 30 JUNE 2014
 Quarter : 1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

PARTICULARS	NOTE	UNAUDITED AS AT 30-JUN-14 RMB'000	AUDITED AS AT 31-Dec-13 RMB'000	UNAUDITED AS AT 30-JUN-14 RM'000 (1)	AUDITED AS AT 31-Dec-13 RM'000 (1)
ASSETS					
Non-current assets					
Property, plant and equipment		267,813	275,256	138,566	148,308
Intangible assets		18,173	18,490	9,403	9,963
		<u>285,986</u>	<u>293,746</u>	<u>147,969</u>	<u>158,271</u>
Current assets					
Inventories		15,035	24,148	7,779	13,011
Trade receivables		138,288	141,053	71,550	75,999
Prepayment and other receivables		3,566	2,651	1,845	1,428
Cash and bank balances		540,621	501,440	279,717	270,176
		<u>697,510</u>	<u>669,292</u>	<u>360,891</u>	<u>360,614</u>
Total assets		<u>983,496</u>	<u>963,038</u>	<u>508,860</u>	<u>518,885</u>
EQUITY AND LIABILITY					
Capital and Reserves					
Share capital		175,361	175,361	90,730	94,484
Reserve		700,440	663,036	362,409	357,244
Total equity		<u>875,801</u>	<u>838,397</u>	<u>453,139</u>	<u>451,728</u>
Current liabilities					
Trade payables		67,763	61,403	35,060	33,084
Accrued liabilities and other payables		22,676	29,494	11,733	15,892
Amount owing to a shareholder cum director		-	-	-	-
Income tax payable		5,756	6,244	2,978	3,364
Interest-bearing bank borrowings		11,500	27,500	5,950	14,817
		<u>107,695</u>	<u>124,641</u>	<u>55,721</u>	<u>67,157</u>
Total equity and liabilities		<u>983,496</u>	<u>963,038</u>	<u>508,860</u>	<u>518,885</u>
Net Assets per share attributable to equity holders of the Group (sen in RMB / RM)	B13	169.24	162.01	87.56	87.29

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 RM0.5174 as at 30 June 2014.

Company Name : MULTI SPORTS HOLDINGS LTD
 Stock Name : MSPORTS
 Financial Period Ended : 30 JUNE 2014
 Quarter : 1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2014

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED CURRENT QUARTER 30-Jun-14 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-13 RMB'000	UNAUDITED CURRENT QUARTER 30-Jun-14 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-13 RM'000 (1)
Revenue		188,449	187,129	95,563	95,660
Cost of sales		(146,729)	(135,554)	(74,425)	(69,295)
Gross Profit		41,720	51,575	21,138	26,365
Other income		584	476	296	243
Selling and distribution expenses		(7,489)	(2,996)	(3,822)	(1,531)
Administrative expenses		(9,370)	(14,458)	(4,727)	(7,391)
Finance costs		(381)	(445)	(192)	(227)
Profit before taxation		25,064	34,152	12,693	17,459
Income tax expenses		(6,040)	(10,543)	(3,068)	(5,390)
Profit after taxation		19,024	23,609	9,625	12,069
Total comprehensive income for the period		19,024	23,609	9,625	12,069
Profit attributable to :					
- Equity holders of the Group		19,024	23,609	9,625	12,069
Total comprehensive income attributable to :					
- Equity holders of the Group		19,024	23,609	9,625	12,069

PARTICULARS	NOTE	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
		CURRENT QUARTER 30-Jun-14 RMB'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-13 RMB'000	CURRENT QUARTER 30-Jun-14 RM'000 (1)	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-13 RM'000 (1)
Earnings per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B13	3.68	4.56	1.86	2.33
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 2013 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 : 30 JUNE 2014
 Quarter : 1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED YEAR TO-DATE 30-Jun-14 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-13 RMB'000	UNAUDITED YEAR TO-DATE 30-Jun-14 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-13 RM'000 (1)
Revenue		351,492	334,562	181,862	171,028
Cost of sales		(272,114)	(245,381)	(140,792)	(125,439)
Gross Profit		79,378	89,181	41,070	45,589
Other income		1,117	929	578	475
Selling and distribution expenses		(11,895)	(5,565)	(6,154)	(2,845)
Administrative expenses		(19,523)	(27,468)	(10,101)	(14,041)
Finance costs		(815)	(896)	(422)	(458)
Profit before taxation		48,262	56,181	24,971	28,720
Income tax expenses		(10,858)	(17,856)	(5,618)	(9,129)
Profit after taxation		37,404	38,325	19,353	19,591
Total comprehensive income for the period		37,404	38,325	19,353	19,591
Profit attributable to :					
- Equity holders of the Group		37,404	38,325	19,353	19,591
Total comprehensive income attributable to :					
- Equity holders of the Group		37,404	38,325	19,353	19,591

PARTICULARS	NOTE	CUMULATIVE QUARTER		CUMULATIVE QUARTER	
		UNAUDITED CURRENT YEAR TO-DATE 30-Jun-14 RMB'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-13 RMB'000	UNAUDITED CURRENT YEAR TO-DATE 30-Jun-14 RM'000 (1)	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-13 RM'000 (1)
Earnings per share attributable to equity holders of the Group :					
Basic (sen in RMB / RM)	B13	7.23	7.41	3.74	3.79
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 30 JUNE 2014

	← 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 2014	175,361	137,426	27,203	(54,916)	553,323	838,397
Net profit for the period	-	-	-	-	37,404	37,404
At 30 June 2014	175,361	137,426	27,203	(54,916)	590,727	875,801

	← 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 2014	90,730	71,105	14,075	(28,413)	286,289	433,786
Net profit for the period	-	-	-	-	19,353	19,353
At 30 June 2014	90,730	71,105	14,075	(28,413)	305,642	453,139

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 2013 and the accompanying explanatory notes attached to the financial statements.

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Company Name : MULTI SPORTS HOLDINGS LTD
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 Financial Period Ended : 30 JUNE 2014
 Quarter : 1

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	38,325	38,325
At 30 June 2013	175,361	137,426	23,353	(54,916)	553,580	834,804

	← 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	89,645	70,252	11,938	(28,073)	263,399	407,161
Net profit for the period	-	-	-	-	19,591	19,591
At 30 June 2013	89,645	70,252	11,938	(28,073)	282,990	426,752

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 2013 and the accompanying explanatory notes attached to the financial statements.

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Company Name : MULTI SPORTS HOLDINGS LTD
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Financial Period Ended : 30 JUNE 2014
Quarter : 1

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014

	UNAUDITED CURRENT PERIOD 30-Jun-14 RMB'000	UNAUDITED PRECEDING PERIOD 30-Jun-13 RMB'000	UNAUDITED CURRENT PERIOD 30-Jun-14 RM'000 (1)	UNAUDITED PRECEDING PERIOD 30-Jun-13 RM'000 (1)
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation	48,262	56,181	24,971	28,720
Adjustments for :-				
Depreciation of property, plant and equipment	10,845	10,271	5,611	5,251
Amortisation of intangible assets	317	1,681	164	860
Amortisation of land use rights	-	-	-	-
Loss on disposal of property, plant & equipment and intangible asset	-	-	-	-
Gain on disposal of land use rights	-	-	-	-
Interest income	(885)	(724)	(458)	(370)
Interest expense	815	896	421	458
Operating profit before working capital changes	59,354	68,305	30,709	34,919
Increase in inventories	9,113	818	4,715	418
Decrease/ (increase) in trade receivables	2,765	(64,551)	1,431	(32,998)
(Increase)/ decrease in prepayments and other receivables	(915)	674	(474)	344
Decrease in trade payables	6,360	32,023	3,290	16,370
Decrease in accrued liabilities and other payables	(6,818)	(3,865)	(3,528)	(1,976)
Net cash generated from operations	69,859	33,404	36,143	17,077
Income tax paid	(11,347)	(17,541)	(5,870)	(8,967)
Interest received	885	724	458	370
Interest paid	(815)	(896)	(421)	(458)
Net cash generated from operating activities	58,582	15,691	30,310	8,022
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,401)	(2,835)	(1,760)	(1,449)
Acquisition of trademark	-	(408)	-	(209)
Proceed from disposal of property, plant & equipment and intangible asset	-	-	-	-
Net cash (used in)/ from investing activities	(3,401)	(3,243)	(1,760)	(1,658)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceed from issue of shares	-	-	-	-
Share issue expenses written off against share premium account	-	-	-	-
Repayment to a director	-	-	-	-
Repayment of bank loan	(16,000)	-	(8,278)	-
Obtained of bank loan	-	-	-	-
Ex difference arising from shareholder's loan	-	-	-	-
Deposit refunded from bank	-	-	-	-
Dividends paid	-	-	-	-
Net cash (used in)/ from financing activities	(16,000)	-	(8,278)	-

	UNAUDITED CURRENT PERIOD 30-Jun-14 RMB'000	UNAUDITED PRECEDING PERIOD 30-Jun-13 RMB'000	UNAUDITED CURRENT PERIOD 30-Jun-14 RM'000 (1)	UNAUDITED PRECEDING PERIOD 30-Jun-13 RM'000 (1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,181	12,448	20,272	6,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	501,440	488,782	259,445	249,865
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	540,621	501,230	279,717	256,229
Cash and cash equivalents comprise:				
Cash and bank balances	540,621	501,230	279,717	256,229
Less: Deposit pledged with bank	-	-	-	-
	540,621	501,230	279,717	256,229

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 PERIOD ENDED 30 JUNE 2014

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 2013, 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 cyclicity of 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 30 June 2014						
	(Unaudited)						
	TPR	RB	MD 1	MD 2	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	14,295	7,844	53,477	218,589	54,994	2,293	351,492
Segment profit	2,023	1,106	7,741	31,421	6,237	290	48,818
Unallocated interest income							40
Unallocated other expenses							(596)
Profit from operations							48,262
Other information:							
Interest income	36	20	137	557	129	6	885
Interest expense	(33)	(18)	(126)	(514)	(119)	(5)	(815)
Additions to non-current assets*	163	89	623	2,526	-	-	3,401
Depreciation and amortisation	(529)	(289)	(2,025)	(8,221)	(94)	(4)	(11,162)

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

	Financial period ended 30 June 2014						
	(Unaudited)						
Segment assets	45,312	24,781	173,408	703,917	31,899	1,483	980,800
Segment liabilities	4,687	2,564	17,940	72,826	2,342	109	100,468

As at
30 June 2014
RMB'000
Unaudited

Segment assets are reconciled to total assets as follows:

Segment assets	980,800
Unallocated prepayment and other receivable	2,483
Unallocated cash at bank and on hand	213
Total assets	983,496

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	100,468
Unallocated income tax payable	5,757
Unallocated accruals and other payables	1,470
Total liabilities	107,695

Business Segments

	Financial period ended 30 June 2014						
	(Unaudited)						
	TPR	RB	MD 1	MD 2	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	7,396	4,059	27,669	113,097	28,454	1,187	181,862
Segment profit	1,046	572	4,005	16,258	3,227	150	25,258
Unallocated interest income							21
Unallocated other expenses							(308)
Profit from operations							24,971
Other information:							
Interest income	19	10	71	288	67	3	458
Interest expense	(17)	(9)	(65)	(266)	(61)	(3)	(421)
Additions to non-current assets*	85	46	322	1,307	-	-	1,760
Depreciation and amortisation	(274)	(149)	(1,048)	(4,254)	(48)	(2)	(5,775)

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

	Financial period ended 30 June 2014						
	(Unaudited)						
Segment assets	23,445	12,822	89,721	364,207	16,505	767	507,467
Segment liabilities	2,426	1,327	9,282	37,681	1,212	57	51,985

As at
30 June 2014
RM'000
Unaudited

Segment assets are reconciled to total assets as follows:

Segment assets	507,467
Unallocated prepayment and other receivable	1,283
Unallocated cash at bank and on hand	110
Total assets	508,860

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	51,985
Unallocated income tax payable	2,975
Unallocated accruals and other payables	761
Total liabilities	55,721

Business Segments

	Financial period ended 30 June 2013 (Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	Shoe soles RMB'000	
Segment revenue					
- External sales	12,801	7,980	59,719	254,062	334,562
Segment results	2,692	1,672	12,590	53,609	70,563
Unallocated interest income					(61)
Unallocated other expenses					(14,321)
Profit from operations					56,181
Other information:					
Interest income	28	17	129	550	724
Interest expenses	(34)	(21)	(160)	(681)	(896)
Additions to non-current assets *	123	77	579	2,464	3,243
Depreciation and amortisation	(456)	(283)	(2,132)	(9,081)	(11,952)

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

	Financial period ended 30 June 2013 (Unaudited)				
Segment assets	34,666	21,530	162,135	690,398	908,729
Segment liabilities	4,581	2,845	21,423	91,224	120,073

	As at 30 June 2013 RMB'000 (Unaudited)
Segment assets are reconciled to total assets as follows:	
Segment assets	908,729
Unallocated prepayment and other receivable	505
Unallocated cash at bank and on hand	44,016
Unallocated property, plant and equipment	300
Unallocated intangible assets	16,773
Total assets	970,323
Segment liabilities are reconciled to total liabilities as follows:	
Segment liabilities	120,073
Unallocated income tax payable	10,543
Unallocated accruals and other payables	4,903
Total liabilities	135,519

Business Segments

	Financial period ended 30 June 2013 (Unaudited)				
	TPR	RB	MD1	MD2	TOTAL
	Shoe soles RM'000	Shoe soles RM'000	Shoe soles RM'000	Shoe soles RM'000	RM'000
Segment revenue					
- External sales	6,544	4,080	30,528	129,876	171,028
Segment results	1,376	854	6,436	27,405	36,071
Unallocated interest income					(31)
Unallocated other expenses					(7,320)
Profit from operations					28,720
Other information:					
Interest income	14	9	66	281	370
Interest expenses	(17)	(11)	(82)	(348)	(458)
Additions to non-current assets *	63	39	296	1,260	1,658
Depreciation and amortization	(233)	(145)	(1,090)	(4,643)	(6,111)

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

	Financial period ended 30 June 2013 (Unaudited)				
Segment assets	17,721	11,006	82,884	352,932	464,543
Segment liabilities	2,342	1,454	10,952	46,634	61,382

Segment assets are reconciled to total assets as follows:

	As at 30 June 2013 RM'000 (Unaudited)
Segment assets	464,543
Unallocated prepayment and other receivable	258
Unallocated cash at bank and on hand	22,501
Unallocated property, plant and equipment	153
Unallocated intangible assets	8,574
Total assets	496,029

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	61,382
Unallocated income tax payable	5,390
Unallocated accruals and other payables	2,505
Total liabilities	69,277

8. Subsequent events

On 15 August 2014, Mercury Securities Sdn Bhd on behalf of the Company, announced that it proposes to undertake a bonus issue of 258,750,000 warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of United States Dollar (“US\$”) 0.05 each held by registered holders of the shares on an entitlement date to be determined later (“**Proposed Bonus Issue of Warrants**”).

The warrants may be exercised at any time within a period of three (3) years commencing from and including the date of issue of the warrants at exercise price of RM0.18 per warrant.

On 18 August 2014, Mercury Securities Sdn Bhd further announced on behalf of the Company, that the listing application in respect of the Proposed Bonus Issue of Warrants has been submitted on even date to Bursa Securities. The said application has been approved by Bursa Securities and announced on 20 August 2014.

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	2,188	1,118	3,401	1,760
Intangible asset	-	-	-	-
	<u>2,188</u>	<u>1,118</u>	<u>3,401</u>	<u>1,760</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 30-Jun-2014 RMB' 000	Unaudited 30-Jun-2013 RMB' 000	
<u>Revenue</u>			
TPR shoe soles	14,295	12,801	11.7%
RB shoe soles	7,844	7,980	-1.7%
MD1 shoe soles	53,477	59,719	-10.5%
MD2 shoe soles	218,589	254,062	-14.0%
	<u>294,205</u>	<u>334,562</u>	<u>-12.1%</u>
Apparels	54,994	-	-
Accessories	2,293	-	-
	<u>57,287</u>	<u>-</u>	<u>-</u>
Total	<u>351,492</u>	<u>334,562</u>	<u>5.1%</u>

	Financial period ended		Change
	Unaudited 30-June-2014 Pair ('000)	Unaudited 30-Jun-2013 Pair ('000)	
<u>Sale volume</u>			
TPR shoe soles	1,191	1,093	9.0%
RB shoe soles	582	546	6.0%
MD1 shoe soles	2,426	2,523	-3.9%
MD2 shoe soles	9,516	11,145	-14.6%
	<u>13,715</u>	<u>15,307</u>	<u>-10.4%</u>
Apparels (units)	311	-	-
Accessories (units)	20	-	-
	<u>331</u>	<u>-</u>	<u>-</u>
Total	<u>14,046</u>	<u>15,307</u>	<u>-8.3%</u>

Overall:

For current period performance, the Group recorded revenue of RMB351.5 (RM181.9) million and profit after taxation of RMB37.4 (RM19.4) million. Total revenue increased by 5.1% compared to Q2 2013 because of sales of fashion apparels and accessories, the business of which only commenced in Q4 2013. Profit after tax remained flat at approximately RMB38 (RM19) million.

Sport-shoe soles:

The revenue and sales volume dropped by 12.1% and 10.4% respectively compared with corresponding period last year. The production utilisation rate maintains at a moderate level of 66.1% in the current quarter.

Gross profit margin for six months ended 30 June 2014 has decreased to 20.7% from 26.7% in corresponding period last year mainly due to higher production costs arising from rises in labour and overhead costs.

Profit after taxation was at 10.7% compared to 11.5% in the corresponding period last year.

Apparels and accessories:

The Group commenced trading of apparels under the brand name “Evidoma” during fourth quarter of year 2013. Hence, there was no revenue from trading of apparels and accessories in corresponding period last year.

The business recorded revenue of RMB57.3 (RM29.6) million for the current period with gross profit margin of 32.5% and net profit margin of 11.4%.

2. Variation of results against immediate preceding quarter

	Current quarter 30-Jun-14 RMB'000	Preceding quarter 31-Mar-14 RMB'000	Current quarter 30-Jun-14 RM'000	Preceding quarter 31-Mar-14 RM'000
Revenue	188,449	163,043	95,563	86,299
Gross profit	41,720	37,658	21,138	19,932
Profit after taxation	19,024	18,381	9,625	9,728

As compared with Q1 2014, revenue for the current quarter increased by 15.6% because of fewer working days as a result of Lunar New Year holidays in Q1 2014. The gross profit margin was at 22.1% compared with 23.1% in the preceding quarter. The Group's profit after taxation is at RMB19.1 (RM9.6) million as compared to RMB18.4 (RM9.7) million in the immediate preceding quarter. Profit after taxation in the current quarter was adversely affected by Apparels and Accessories segment's stock ordering charges.

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	6,040	3,068	10,858	5,618

The effective tax rate of the Group for current quarter was 24% as compared to the current Enterprise Income Tax (EIT) rate of 25.0%. The lower effective tax rate in current quarter was due to no provision of income tax in apparels and accessories business because of tax losses brought forward.

6. Retained earnings

	Current Quarter Ended		Preceding Quarter Ended	
	RMB'000	RM'000	RMB'000	RM'000
Realised	589,381	304,946	571,161	302,316
Unrealised	(168)	(87)	(971)	(514)
	<u>589,213</u>	<u>304,859</u>	<u>570,190</u>	<u>301,802</u>
Consolidation adjustments	1,514	783	1,514	801
Total Group retained profits as per Consolidated accounts	<u>590,727</u>	<u>305,642</u>	<u>571,704</u>	<u>302,603</u>

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	(468)	(237)	(885)	(458)
Other income	-	-	-	-
Interest expenses	382	192	815	421
Depreciation and amortisation	5,602	2,832	11,162	5,775
Foreign exchange (gain)/ loss	(258)	(130)	(534)	(276)

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	Within 24 months				
	- 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	Within 18 months	3,960	1,472	2,488	(2)
(iii)	Advertising and branding	Within 24 months	3,000	3,000	Nil	
(iv)	Enhancement of product development capabilities	Within 24 months	4,000	5,245	(1,245)	(2)
(v)	Working capital	Within 24 months	1,000	1,000	Nil	
(vi)	Estimated Listing expenses	Immediate	7,000	7,695	(695)	(3)
	Total proceeds		48,960	113,819		

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 yet to be fully utilised and the Group intends to speed up expansion of sales and marketing network in China in 2nd half of year 2014.
- (3) 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	4,780	9,815	(1)
(ii) Working capital	7,873	-	7,873	(2)
(iii) Estimated issuance expenses	2,300	2,653	(353)	(3)
Total proceeds	24,768	7,433		

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 Company is currently in the midst of converting the proceeds into share capital of its subsidiary for utilization as working capital.
- (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 30 June 2014 were as follow: -

<u>Short term borrowings and debts securities</u>	RMB'000	RM'000
Bank loans - secured	11,500	5,950

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	
	30 June 2014	31 December 2013
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 30 June 2014 and 31 December 2013 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 30 June 2014 and 30 June 2013 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 2013.