16.6 APPLICATIONS USING INTERNET SHARE APPLICATION

16.6.1 Steps for Internet Share Application

The exact steps for Internet Share Application in respect of the Public Issue Shares are as set out on the Internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, the steps for an application for the Public Issue Shares via Internet Share Application may be as set out below. The steps set out the actions that the applicant must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

(a) Connect to the Internet financial services website of the Internet Participating Financial Institution with which the applicant has an account.

(b) Login to the Internet financial services facility by entering the applicant's user identification and PIN / password.

(c) Navigate to the section of the website on applications in respect of initial public offerings.

(d) Select the counter in respect of the Public Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.

(e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.

(f) At the next screen, complete the online application form.

(g) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of Public Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.

(h) By confirming such information, the applicant also undertakes that the following information given is true and correct:-

- the applicant has attained eighteen (18) years of age as at the date of the application for the Public Issue Shares;

- the applicant is a Malaysian citizen residing in Malaysia;

- the applicant has, prior to making the Internet Share Application, received and / or has had access to a printed / electronic copy of the Prospectus, the contents of which the applicant has read and understood;

- the applicant agrees to all the terms and conditions of the Internet Share Application as set out in the Prospectus and has carefully considered the risk factors set out in the Prospectus, in addition to all other information contained in the Prospectus before making the Internet Share Application for the IPO;

- the Internet Share Application is the only application that the applicant is submitting for the Public Issue Shares;

- the applicant authorises the Authorised Financial Institution to deduct the full amount payable for the Public Issue Shares from the applicant's account with the Authorised Financial Institution;

- the applicant gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and / or Bursa Depository, as the case may be, of information pertaining to the applicant, the Internet Share Application made by the applicant or the applicant's account with the Internet Participating Financial Institution, to MIDFCCS and the Authorised Financial Institution, the SC and any other relevant authority;

- the applicant is not applying for the Public Issue Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

- the applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with the IPO, all information relating to the applicant if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

(i) Upon submission of the online application form, the applicant will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the IPO.

(j) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application money is being made.

(k) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.

(l) The applicant is advised to print out the Confirmation Screen for reference and retention.

16.6.2 Terms and Conditions for Internet Share Application

Applications for the Public Issue Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

APPLICANTS ARE ADVISED NOT TO APPLY FOR THE PUBLIC ISSUE SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:-

- RHB Bank Berhad at www.rhbbank.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- CIMB Investment Bank Berhad at www.eipocimb.com; or
- CIMB Bank Berhad at www.cimbclicks.com.my; or
- Affin Bank Berhad at www.affinonline.com.

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF THE PUBLIC ISSUE SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out herein:-

(a) An applicant making an Internet Share Application shall:-

  - be an individual with a CDS Account;
  - have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. Applicant must have ready their user identification (User ID) and Personal Identification Numbers (PIN) / password for the relevant Internet financial services facilities; and

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- be a Malaysian citizen and have a mailing address in Malaysia.

Applicants are advised to note that a User ID and PIN / password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the Public Issue Shares at Internet financial service websites of other Internet Participating Financial Institutions.

(b) An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Company's Memorandum and Bye-laws.

(c) The applicant is required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:-

- the applicant has attained eighteen (18) years of age as at the date of the application for the Public Issue Shares;
- the applicant is a Malaysian citizen residing in Malaysia;
- the applicant has, prior to making the Internet Share Application, received and / or has had access to a printed / electronic copy of the Prospectus, the contents of which the applicant has read and understood;
- the applicant agrees to all the terms and conditions of the Internet Share Application as set out in the Prospectus and has carefully considered the risk factors set out in the Prospectus, in addition to all other information contained in the Prospectus before making the Internet Share Application for the IPO;
- the Internet Share Application is the only application that the applicant is submitting for the Public Issue Shares;
- the applicant authorises the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the Public Issue Shares from the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution;
- the applicant gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and / or Bursa Depository, as the case may be, of information pertaining to the applicant, the Internet Share Applicant made by the applicant or the applicant's account with the Internet Participating Financial Institution, to MIDFCCS and the Authorised Financial Institution, the SC and any other relevant authority;
- the applicant is not applying for the Public Issue shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

- the applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with the IPO, all information relating to the applicant if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

(d) The application will not be successfully completed and cannot be recorded as a completed application unless the applicant has completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of the applicant's Internet Share Application, including the number of Public Issue Shares applied for which can be printed out by the applicant for his records.

Upon the display of the Confirmation Screen, the applicant shall be deemed to have confirmed the truth of the statements set out in Section 16.6.2(c) of this Prospectus.

(e) The applicant must have sufficient funds in the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the Public Issue Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.

(f) The applicant irrevocably agrees and undertakes to subscribe for and / or to purchase and to accept the number of Public Issue Shares applied for as stated on the Confirmation Screen or any lesser number of Public Issue Shares that may be allotted to the applicant in respect of the Internet Share Application. In the event that our Company decides to allot any lesser number of such Public Issue Shares or not to allot any Public Issue Shares to the applicant, the applicant agrees to accept any such decision of our Company as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, the confirmation by the applicant of the number of Public Issue Shares applied for (by way of the applicant's action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:-

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- acceptance by the applicant of the number of Public Issue Shares that may be allotted to the applicant in the event that the applicant's Internet Share Application is successful or successful in part, as the case may be; and

- the applicant's agreement to be bound by the Memorandum and Bye-laws of our Company.

(g) The applicant is fully aware that multiple or suspected multiple Internet Share Applications for the Public Issue Shares of our Company will be rejected. The Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting the Public Issue Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

(h) Where an Internet Share Application is unsuccessful or successful in part only, the Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Internet Share Application. Where an Internet Share Application is unsuccessful, the Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIDFCCS.

MIDFCCS shall inform the Internet Participating Financial Institution of unsuccessful or partially successful applications within two (2) Market Days from the balloting date.

Where the Internet Share Application is accepted in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into the applicant's account with the Internet Participating Financial Institution within two (2) Market Days after receipt of written confirmation from MIDFCCS. A number of applications will however be held in reserve to replace any successfully balloted applications that are subsequently rejected. In respect of such applications that are subsequently rejected, the application monies (without interest or any share of revenue or other benefit arising therefrom) will be refunded to applicants by MIDFCCS by way of cheques issued by MIDFCCS. The cheques will be issued to the applicants within ten (10) Market Days from the day of the final ballot of the Applications list.

For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will arrange for a refund of the application money (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within ten (10) Market Days from the day of the final ballot of the Applications list.

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Except where MIDFCCS is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, applicants are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of an applicant's Internet Share Application in order to determine the status or exact number of Public Issue Shares allotted, if any, before trading the Public Issue Shares on Bursa Securities.

(i) Internet Share Applications will be closed at 5.00 p.m. on 30 October 2009 or such other date(s) as our Directors, Promoters and the Underwriters may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. Applications are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.

(j) The applicant irrevocably agrees and acknowledges that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution and our Company. If, in any such event, our Company, MIDFCCS and / or the Internet Participating Financial Institution and / or the Authorised Financial Institution do not receive the applicant's Internet Share Application and / or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, the applicant shall be deemed not to have made an Internet Share Application and the applicant shall have no claim whatsoever against our Company, MIDFCCS or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the Public Issue Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

(k) All particulars of the applicant in the records of the relevant Internet Participating Financial Institution at the time of the Internet Share Application shall be deemed to be true and correct, and our Company, the Internet Participating Financial Institutions, MIDFCCS and all other persons who, are entitled or allowed under the law to such information or where the applicant expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

The applicant shall ensure that the personal particulars of the applicant as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical, otherwise the applicant's Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to the applicant's address last registered with Bursa Depository. It is the responsibility of the applicant to notify the Internet Participating Financial Institution and Bursa Depository of any changes in the applicant's personal particulars that may occur from time to time.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

(l) By making and completing an Internet Share Application, the applicant is deemed to have agreed that:-

- in consideration of our Company making available the Internet Share Application facility to the applicant, through the Internet Participating Financial Institution acting as agents of our Company, the Internet Share Application is irrevocable;

- the applicant has irrevocably requested and authorised our Company to register the Public Issue Shares allotted to the applicant for deposit into the applicant's CDS Account;

- neither our Company nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIDFCCS or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in **Section 3** of this Prospectus or to any cause beyond their control;

- the applicant shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of the applicant's Internet Share Application by MIDFCCS, our Company and / or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and / or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution;

- the acceptance of the offer made by the applicant to subscribe for and / or purchase the Public Issue Shares for which the applicant's Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by or on behalf of our Company and not otherwise, notwithstanding the receipt of any payment by or behalf of our Company;

- the applicant is not entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of the applicant's Internet Share Application by our Company;

- in making the Internet Share Application, the applicant has relied solely on the information contained in this Prospectus. Our Company, the Underwriters, the Adviser and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which may have been relied on by the applicant in making the Internet Share Application; and

- the acceptance of an applicant's Internet Share Application by our Company and the contract resulting therefrom under the IPO shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.

(m) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-

(i) CIMB (www.eipocimb.com) - RM2.00 for payment via CIMB Bank or RM5.00 for payment via Malayan Banking Berhad;

(ii) CIMB Bank (www.cimbclicks.com.my) - RM2.00 for applicants with CDS accounts held with CIMB and RM2.50 for applicants with CDS accounts with other ADAs;

(iii) Malayan Banking Berhad (www.maybank2u.com.my) - RM1.00; and

(iv) RHB Bank Berhad (www.rhbbank.com.my) - RM2.50.

No fee will be charged by Affin Bank Berhad for application by their account holders.

16.7 APPLICATIONS AND ACCEPTANCES

MIDFCCS on the authority of our Board reserves the right not to accept any Application which does not strictly comply with the instructions or to accept any Application in part only without assigning any reason therefor.

The submission of an Application Form does not necessarily mean that the Application will be successful.

ALL APPLICATIONS MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.

In the event of an over-subscription, acceptance of Applications shall be subject to ballot to be conducted in the manner approved by our Directors and on a fair and equitable basis. Due consideration will be given to the desirability of distributing the Public Issue Shares, to a reasonable number of Applicants with a view to broadening the shareholding base and establishing an adequate market in our Shares. Pursuant to the Listing Requirements, at least 25% of the enlarged issued and paid-up share capital of our Company must be held by a minimum number of 1,000 public Shareholders holding not less than 100 Shares each upon completion of the IPO and at the point of Listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with the Listing. In the event thereof, subject to compliance with the Bermuda Companies Act, monies paid in respect of all Applications will be returned without interest if the said permission for listing and quotation is not granted.

Kindly refer to Section 2.3 of this Prospectus for further details in the event of an under-subscription.

Directors and employees of MIDFCCS and their immediate families are strictly prohibited from applying for our Shares.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY ORDINARY POST OR REGISTERED POST RESPECTIVELY TO THE APPLICANT WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS AT THE ADDRESS REGISTERED WITH BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

MIDFCCS RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM PARTIALLY SUCCESSFUL APPLICANTS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL APPLICANTS WHOSE MONIES HAVE BEEN BANKED-IN AND PARTIALLY SUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION BY REGISTERED POST AT THE ADDRESS REGISTERED WITH BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK.

16.8 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares as Prescribed Securities. In consequence thereof, the Shares issued / offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991, and the Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in our Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Only an applicant who has a CDS account can make an Application by way of an Application Form. An applicant should state his CDS account number in the space provided on the Application Form and he / she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIDFCCS / us. Where an applicant does not presently have a CDS account, he / she should open a CDS account at an ADA prior to making an Application for our Shares.

In the case of an Application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application. The applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application require him to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account can make an Internet Share Application. In certain cases, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the e-IPO online application form.

Failure to comply with these specific instructions or inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, may result in the Application being rejected. If a successful applicant fails to state his / her CDS account number, MIDFCCS, on our authority, will reject the Application. MIDFCCS on the authority of our Directors also reserves the right to reject any incomplete and inaccurate Application. Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

16.9 NOTICE OF ALLOTMENT

Our Shares allotted to all successful or partially successful applicants will be credited to their respective CDS accounts. A notice of allotment will be despatched to the successful or partially successful applicant at his address last maintained with Bursa Depository at the applicant's own risk prior to our Listing. For Electronic Share Application or Internet Share Application, the notice of allotment will be despatched to the successful or partially successful applicant at his address last maintained with Bursa Depository at the applicant's own risk prior to our Listing. This is the only acknowledgement of acceptance of the Application.

All applicants must inform Bursa Depository of his / her updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which, the notification letter on successful allotment shall be sent to the applicant's address last maintained with Bursa Depository.

Applicants may also check the status of their application by logging on to the MIDFCCS website at www.midf.com.my or by calling their respective ADAs at the telephone number as stated in Section 16.10 or MIDFCCS Enquiry Services Telephone at (03) 2173 8657, 2173 8658 or 2173 8659, between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

16.10 LIST OF ADAS

The list of the ADAs and their respective Broker codes are as follows:-

Name	Address and Telephone Number	ADA Code
KUALA LUMPUR		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No: 03-62011155	078-004
AFFIN INVESTMENT BANK BERHAD	3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No: 03-21438668	028-001
ECM LIBRA INVESTMENT BANK BERHAD	Level 1, Bangunan Avenue Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No: 03-20891800	052-009
AmINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-20782788	086-001
ECM LIBRA INVESTMENT BANK BERHAD	3rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-21781888	052-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor, Podium Block Bangunan AMDB No. 1, Jalan Lumut 50400 Kuala Lumpur Tel No: 03-40433533	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Tel No: 03-20849999	065-001
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No: 03-21681168	066-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD	No. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan Kaskas, 5th Mile Cheras 56100 Kuala Lumpur Tel No: 03-91303399	068-012
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur Tel No: 03-77106688	068-009
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd, & 23A Floor Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No: 03-27116888	068-014
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No: 03-79847796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No: 03-798188811	054-005
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No.1, Jalan Imbi 55100 Kuala Lumpur Tel No: 03-21171888	054-001
JUPITER SECURITIES SDN BHD	7th - 9th Floor Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-20341888	055-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-21649080	073-001
KENANGA INVESTMENT BANK BERHAD	No. 57-10, Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Tel No: 03-22871799	073-015
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th – 14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No: 03-21688800	053-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
ALLIANCE INVESTMENT BANK BERHAD	No. 8, Jalan Binjai Off Jalan Ampang 50450 Kuala Lumpur Tel No: 03-21667922	076-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No: 03-26928899	061-001
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid-Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No: 03-22821820	057-002
MAYBANK INVESTMENT BANK BERHAD (formerly known as Aseambankers Malaysia Berhad)	Level 8, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No: 03-22978888	098-001
MERCURY SECURITIES SDN BHD	Lot 6-05, Level 6 Tower Block, Menara Milenium 8, Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur Tel No: 03-20942828	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-21738888	026-001
OSK INVESTMENT BANK BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No: 03-62575869	056-028
OSK INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No: 03-23338333	056-001
OSK INVESTMENT BANK BERHAD	Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No: 03-42804798	056-054
OSK INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No: 03-90587222	056-058

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-20313011	051-001
PM SECURITIES SDN BHD	Ground Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No: 03-21463000	064-001
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel. No: 03-92873888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13, 15-18, 20, 23, 28-30, 34 & 35 TA One Tower No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No: 03-20721277	058-003
SELANGOR DARUL EHSAN		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No: 03-33439999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No: 03-77298016	028-003
AFFIN INVESTMENT BANK BERHAD	No. 1, Jalan 52/16 46200 Petaling Jaya Selangor Darul Ehsan Tel No: 03-79553281	028-004
AmINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-77106613	086-003
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th - 20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E, Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No: 03-55133288	068-002

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No: 03-56356688	068-010
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Tel No: 03-61371888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No: 03-87361118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor, Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No: 03-76201118	079-002
KENANGA INVESTMENT BANK BERHAD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Tel No: 03-79562169	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No: 03-80241682	073-006
KENANGA INVESTMENT BANK BERHAD	Room 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No: 03-30057550	073-007
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No: 03-77259095	073-016

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	1st, 2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS 21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-77297345	066-002
OSK INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No: 03-78736366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No: 03-87363378	056-045
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No: 03-60928916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No: 03-33439180	056-048
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No: 03-80700773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No: 03-33415300	064-007
SJ SECURITIES SDN BHD	Level 3, Holiday Villa 9, Jalan SS 12/1 Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan Tel No: 03-56340202	096-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No: 03-80251880	058-005
MELAKA		
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No: 06-2881720	052-008
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang P. O. Box 248 75250 Melaka Tel No: 06-3371533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No: 06-2921898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No: 06-2825211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No: 06-2866008	064-006
RHB INVESTMENT BANK BERHAD	Lot 9 & 10, 1st Floor Bangunan Tabung Haji Jalan Bandar Kaba 75000 Melaka Tel No: 06-2833622	087-002
PERAK DARUL RIDZUAN		
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2422828	052-002
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No: 05-6222828	052-006

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor, Plaza Teh Teng Seng, 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No: 05-2531313	058-001
HWANGDBS INVESTMENT BANK BERHAD	No. 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No: 05-8060888	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2559988	068-015
ALLIANCE INVESTMENT BANK BERHAD	No. 43 & 44, Ground Floor Taman Sentosa, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No: 05-6910910	076-008
MAYBANK INVESTMENT BANK BERHAD (formerly known as Aseambankers Malaysia Berhad)	B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2453400	098-002
M&A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No: 05-2419800	057-001
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2415100	056-002
OSK INVESTMENT BANK BERHAD	1st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No: 05-6921228	056-016
OSK INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No: 05-8088229	056-034

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No: 05-6236498	056-014
OSK INVESTMENT BANK BERHAD	No. 72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No: 05-4651261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No: 05-7170888	056-052
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2530888	066-003
PULAU PINANG		
A. A. ANTHONY SECURITIES SDN BHD	1st Floor, Bangunan Heng Guan 171, Jalan Burmah 10050 Pulau Pinang Tel No: 04-2299318	078-002
A.A. ANTHONY SECURITIES SDN BHD	No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No: 04-5541388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuh Light 10200 Penang Tel No: 04-2611688	076-015
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No: 04-2281868	052-003
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04-2385900	065-003

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04-2283355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-2636996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No: 04-5372882	068-006
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04-2106666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Prai Pulau Pinang Tel No: 04-3322123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Tel No: 04-2639118	093-004
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No: 04-6404888	056-042
OSK INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No: 04-5402888	056-015
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No: 04-3900022	056-005

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Tel No: 04-2634222	056-004
OSK INVESTMENT BANK BERHAD	No. 834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No: 04-5831888	056-032
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04-2273000	064-004
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust 3, Penang Street 10200 Pulau Pinang Tel No: 04-2690888	054-002
PERLIS INDERA KAYANGAN		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block Bangunan KWSP 01000 Kangar Perlis Indera Kayangan Tel No: 04-9765200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No: 04-9793388	056-061
KEDAH DARUL AMAN		
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No: 04-4256666	068-011
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No: 04-7317088	076-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No: 04-7209888	056-021
OSK INVESTMENT BANK BERHAD	No. 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No: 04-4964888	056-019
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru Kedah Darul Aman Tel No: 04-4204888	056-017
NEGERI SEMBILAN DARUL KHUSUS		
ECM LIBRA INVESTMENT BANK BERHAD	1 C-1 & 1 D-1, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Tel No: 06-7655998	052-013
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No: 06-4553188	068-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7612288	068-007
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor, No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No: 06-4553011	056-040
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7641641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No: 06-4421000	056-037

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No: 06-6461234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7623131	064-002
JOHOR DARUL TAKZIM		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No: 07-3332000	078-001
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No: 07-6636658	078-005
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Daruk Takzim Tel No: 07-3513218	078-006
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No: 06-9532222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No: 07-4678885	052-005
AmINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No: 07-4342282	086-002
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No: 07-2231211	054-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower), 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No: 07-2222692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 46 & 48, Jalan Dato' Kapten Ahmad 86000 Kluang Johor Darul Takzim Tel No: 07-7717922	076-006
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-3333600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A & B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No: 07-7771161	073-010
KENANGA INVESTMENT BANK BERHAD	No. 31, Lorong Dato' Ahamd Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No: 06-9542711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No: 07-9333515	073-009
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No: 06-9782292	073-011
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17 Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-3316992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No: 07-2227388	061-002

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No: 07-4380288	056-009
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris Taman Sri Tebrau 80050 Johor Bahru Johore Darul Takzimn Tel No: 07-2788821	056-006
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No: 07-6626288	056-035
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No: 07-9256881	056-039
OSK INVESTMENT BANK BERHAD	No. 33 – 1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No: 06-9538262	056-025
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 10, Jalan Bendahara 12 Taman Ungku Tun Aminah 81300 Skudai Johor Darul Takzim Tel No: 07-5577628	056-029
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No: 06-9787180	056-038
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No: 07-9321543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1st and 2nd Floor No. 17 Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No: 07-7769655	056-031

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No.1 & 1-01, Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No: 07-3522293	056-043
PM SECURITIES SDN BHD	Suite 5.1, Level 5 Menara Pelangi Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-2781813	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No.43 & 43A, Jalan Penjaja 3 Taman Kim's Park Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No: 07-4333608	064-008
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No: 09-5660800	076-002
ECM LIBRA INVESTMENT BANK BERHAD	B62, Ground Floor Lorong Tun Ismail 8,Sri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No: 09-5133289	052-007
OSK INVESTMENT BANK BERHAD	Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No: 09-2234943	056-022
OSK INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No: 05-4914913	056-041
OSK INVESTMENT BANK BERHAD	B2 & B34, Lorong Tun Ismail 8 Seri Dagangan 11 25000 Kuantan Pahang Darul Makmur Tel No: 09-5173811	056-007

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
KELANTAN DARUL NAIM		
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel. No.: 09-7432288	058-004
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No: 09-7430077	056-020
TERENGGANU DARUL IMAN		
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No: 09-6238128	021-001
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No: 09-6317922	076-009
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor, 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No: 09-8502730	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No: 09-6261816	056-055
SABAH		
ECM LIBRA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No: 088-236188	052-012

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No: 088-311688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No: 088-234090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan Karamunsing 88000 Kota Kinabalu Sabah Tel No: 088-269788	056-010
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No: 089-222275	056-057
SARAWAK		
AmINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No: 082-244791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No: 082-358606	065-004
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No: 082-236999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No: 086-330008	068-016

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No: 082-338000	073-003
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No: 085-435577	073-002
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No: 084-313855	073-012
OSK INVESTMENT BANK BERHAD	Ground, 1st & 6th Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No: 082-422252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1st and 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98008 Miri Sarawak Tel No: 085-422788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No: 084-329100	056-013
OSK INVESTMENT BANK BERHAD	Ground Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No: 084-654100	056-050
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Tel No: 086-311770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No: 084-319998	058-002

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Name	Address and Telephone Number	ADA Code
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No: 082-236333	058-006

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(Prepared for inclusion in this Prospectus)

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

REPORT AND AUDITED FINANCIAL STATEMENTS

30 JUNE 2009

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

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Company No:
350500400011132

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HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 4 to 42 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial period from 1 January 2009 to 30 June 2009.

On behalf of the Board,

Ding PengPeng	Ding LiHong
Director	Director

Jinjiang City, Peoples' Republic of China

10 SEP 2009

Company No:
350500400011132

BDO

BDO Binder (AF 0206)
Chartered Accountants

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur Malaysia
Telephone : (603) 2616 2888
Facsimile : (603) 2616 3190, 2616 3191
Website : www.bdobinder.com

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD.**

Report on the Financial Statements

We have audited the financial statements of HongPeng (Fujian) Shoes & Garments Co., Ltd., which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial period from 1 January 2009 to 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 42.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

BDO

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (continued)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial period from 1 January 2009 to 30 June 2009.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment.

Other matters

The abovementioned financial statements of the Group and of the Company are prepared solely for the Board of Directors of the Company for the purpose of the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia ("IPO") involving the Company and its subsidiaries and are not be used in whole or in part for any other purposes. This report is made solely to the Board of Directors of the Company and we do not assume responsibility to any other person for the content of this report.

BDO Binder

BDO Binder
AF : 0206
Chartered Accountants

Kuala Lumpur
10 September 2009

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Group 30.6.2009 RMB	Group 31.12.2008 RMB	Company 30.6.2009 RMB	Company 31.12.2008 RMB
ASSETS					
Non-current assets					
Property, plant and equipment	7	51,268,539	3,611,533	2,796,033	3,089,068
Prepaid lease payments for land	8	58,241,723	58,850,324	5,160,833	5,215,833
Investments in subsidiaries	9	-	-	73,000,000	-
		109,510,262	62,461,857	80,956,866	8,304,901
Current assets					
Inventories	10	34,146,236	43,941,728	27,914,156	38,104,516
Trade and other receivables	11	287,051,495	270,114,157	287,764,074	179,797,045
Current tax assets	12(b)	354,727	246,328	-	-
Cash and cash equivalents	13	73,882,360	80,437,160	66,358,532	69,924,420
		395,434,818	394,739,373	382,036,762	287,825,981
TOTAL ASSETS		504,945,080	457,201,230	462,993,628	296,130,882
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Capital	14	8,500,000	8,500,000	8,500,000	8,500,000
Reserves	15	173,562,400	139,684,838	163,722,676	108,639,886
TOTAL EQUITY		182,062,400	148,184,838	172,222,676	117,139,886
LIABILITIES					
Current liabilities					
Trade and other payables	16	228,412,771	227,493,673	264,883,179	161,918,505
Borrowings	17	66,500,000	62,500,000	-	-
Current tax liabilities	12(b)	27,969,909	19,022,719	25,887,773	17,072,491
		322,882,680	309,016,392	290,770,952	178,990,996
TOTAL EQUITY AND LIABILITIES		504,945,080	457,201,230	462,993,628	296,130,882

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

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

INCOME STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009

		Group		Company	
	Note	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Revenue	18	375,393,765	573,938,768	359,889,803	537,661,900
Cost of sales		(260,959,597)	(409,887,890)	(247,430,547)	(376,639,774)
Gross profit		114,434,168	164,050,878	112,459,256	161,022,126
Other income		152,328	243,730	20,145,394	202,354
Distribution costs		(7,574,139)	(15,336,497)	(7,557,247)	(15,274,648)
Administrative and other expenses		(4,775,222)	(10,495,354)	(3,579,506)	(7,442,588)
Finance costs		(1,974,466)	(2,872,245)	-	-
Profit before tax	19	100,262,669	135,590,512	121,467,897	138,507,244
Tax expense	20	(25,385,107)	(34,732,634)	(25,385,107)	(34,626,811)
Net profit for the financial period/year		74,877,562	100,857,878	96,082,790	103,880,433

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

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009

			Non-distributable	*Distributable*	
		Capital RMB	**Statutory surplus reserves RMB**	**Retained earnings RMB**	**Total equity RMB**
Group					
Balance as at 31 December 2007		8,500,000	5,648,510	96,407,130	110,555,640
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	100,857,878	100,857,878
Transfer to statutory surplus reserve		-	1,879,084	(1,879,084)	-
Dividend	21	-	-	(63,228,680)	(63,228,680)
Balance as at 31 December 2008		8,500,000	7,527,594	132,157,244	148,184,838
Net profit for the financial period, representing total recognised income and expense for the financial period		-	-	74,877,562	74,877,562
Dividend	21	-	-	(41,000,000)	(41,000,000)
Balance as at 30 June 2009		8,500,000	7,527,594	166,034,806	182,062,400

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009

			Non-distributable	***Distributable***	
		Capital RMB	**Statutory surplus reserves RMB**	**Retained earnings RMB**	**Total equity RMB**
Company					
Balance as at 31 December 2007		8,500,000	4,250,000	84,814,360	97,564,360
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	103,880,433	103,880,433
Dividend	21	-	-	(84,304,907)	(84,304,907)
Balance as at 31 December 2008		8,500,000	4,250,000	104,389,886	117,139,886
Net profit for the financial period, representing total recognised income and expense for the financial period		-	-	96,082,790	96,082,790
Dividend	21	-	-	(41,000,000)	(41,000,000)
Balance as at 30 June 2009		8,500,000	4,250,000	159,472,676	172,222,676

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

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009

	Note	Group 1.1.2009 to 30.6.2009 RMB	Group 1.1.2008 to 31.12.2008 RMB	Company 1.1.2009 to 30.6.2009 RMB	Company 1.1.2008 to 31.12.2008 RMB
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		100,262,669	135,590,512	121,467,897	138,507,244
Adjustments for:					
Allowance for doubtful debts		-	492,527	-	-
Amortisation of prepaid lease payments	8	608,601	1,217,203	55,000	110,000
Bad debts written off		628	1,259	-	-
Depreciation of property, plant and equipment	7	321,981	957,927	279,757	870,888
Dividend income		-	-	(20,000,000)	-
Inventories written off		195,708	-	195,708	-
Property, plant and equipment written off	7	24,620	-	13,278	-
Interest expense		1,974,466	2,872,245	-	-
Interest income		(152,328)	(230,730)	(145,394)	(202,354)
Operating profit before working capital changes		103,236,345	140,900,943	101,866,246	139,285,778
Decrease in inventories		9,599,784	23,924,619	9,994,652	21,962,423
Increase in trade and other receivables		(102,769,413)	(54,794,119)	(103,948,236)	(51,869,269)
Increase in trade and other payables		78,997,495	14,390,212	79,091,449	10,014,596
Cash generated from operations		89,064,211	124,421,655	87,004,111	119,393,528
Corporate income tax paid		(18,353,793)	(31,294,841)	(18,245,393)	(31,031,850)
Net cash from operating activities		70,710,418	93,126,814	68,758,718	88,361,678
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to subsidiaries		-	-	(34,470,000)	-
(Advances to)/Repayments from a related party		(6,468,935)	(28,875,661)	-	522,000
Interest received		152,328	230,730	145,394	202,354
Placements of deposits pledged to bank		(1,955)	(14,173)	-	-
Purchase of property, plant and equipment	7	(35,003,607)	-	-	-
Net cash (used in)/from investing activities		(41,322,169)	(28,659,104)	(34,324,606)	724,354

Company No: 350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009 (continued)

		Group		Company	
	Note	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of bank borrowings		4,000,000	28,000,000	-	-
Interest paid		(1,945,004)	(2,872,245)	-	-
Dividends paid		(38,000,000)	(37,698,157)	(38,000,000)	(37,698,157)
Net cash used in financing activities		(35,945,004)	(12,570,402)	(38,000,000)	(37,698,157)
Net (decrease)/increase in cash and cash equivalents		(6,556,755)	51,897,308	(3,565,888)	51,387,875
Cash and cash equivalents at beginning of financial period/year		78,290,320	26,393,012	69,924,420	18,536,545
Cash and cash equivalents at end of financial period/year	13	71,733,565	78,290,320	66,358,532	69,924,420

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

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2009

1. CORPORATE INFORMATION

The Company (鸿鹏（福建）鞋服有限公司) was incorporated and domiciled in the Peoples' Republic of China (the "PRC") as a sino-foreign owned limited liability company. The equity holders were Hong Kong Yuen Cheng Trading Development Co., ("Yuen Cheng") and XiDeLang Sports Goods Co., Ltd. ("XiDeLang Sports Goods") with equity interests of 75% and 25% respectively in the Company.

On 21 October 2008, Hong Kong XinYuanChan International Holding Co., Limited ("XinYuanChan") acquired the 100% equity interests of the Company from Yuen Cheng and XiDeLang Sports Goods. After the acquisition, the Company is changed from a sino-foreign owned enterprise to wholly foreign owned enterprise ("WFOE").

The Company obtained a business licence (No: 350500400011132) issued by Administrative of Industry and Commerce of QuanZhou City of the PRC, which will be expired by 29 November 2016.

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

The Directors regard XinYuanChan, a company incorporated in Hong Kong Special Administrative Region ("HKSAR"), as the ultimate holding company. The subsequent changes in the group structure are disclosed in the Note 27 to the financial statements.

The financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors on 10 September 2009.

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

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment. During the financial period, the Company acquired the entire equity interests in Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("HongPeng Footwear") and XiDeLang Sports Goods and the principal activities of these subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company for the financial period from 1 January 2009 to 30 June 2009 have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

4.2 Basis of consolidation

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

(i) Business combination involving entities under common control

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

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

(ii) Business combination involving entities not under common control

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

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

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

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Investments in subsidiaries

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

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.5 Leases

4.5.1 Leases of land

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risk and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront payments made on entering into or acquiring leasehold land are accounted for as prepaid lease payments and are amortised over the lease term on a straight line basis.

4.5.2 Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments under operating leases are recognised as an expense in the income statements on a straight line basis over the lease period.

4.6 Impairment of assets

The carrying amount of assets, except for financial assets (the financial assets in this context do not include investments in subsidiaries), inventories and current tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Impairment of assets (continued)

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

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

4.7 Inventories

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

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

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

4.8 Financial instruments

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

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

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

4.8.1 Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheets when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

4.8.1 Financial instruments recognised on the balance sheets (continued)

(a) Receivables

Trade and other receivables, including amounts owing by related parties, are classified as loans and receivables under FRS 132 *Financial Instruments: Disclosure and Presentation.*

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowances are made for any debts which are considered doubtful of collection.

Receivables are not held for trading purposes. For the receivables that are factored out to financial institutions with recourse term, the corresponding payment from the financial institution is recognised as liability and any fee incurred to effect the factoring is recognised as an expense in the period in which the factoring takes place.

(b) Cash and cash equivalents

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

(c) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties, are initially recognised and subsequently measured at the consideration to be paid in the future for goods and services received.

(d) Equity instruments

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in paid-up capital and capital reserve.

Dividends to equity holders are recognised in equity in the period in which they are declared.

(e) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

4.8.2 Financial instruments not recognised on the balance sheets

There are no financial instruments not recognised on the balance sheets.

4.9 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

4.10 Taxation

4.10.1 Income taxes

Income taxes include all PRC's taxes on taxable profit.

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

(i) Current tax

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

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

(ii) Deferred tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Taxation (continued)

4.10.1 Income taxes (continued)

(ii) Deferred tax (continued)

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

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

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

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

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

4.10.2 Other taxes

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

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

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Taxation (continued)

4.10.2 Other taxes (continued)

Withholding taxes on distribution of earnings of the Company are deducted from the dividends paid and payable to the foreign equity holders and is included as part of current tax liabilities in the balance sheets. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the balance sheet date.

Land use right tax and other taxes are recognised in the administration and other expenses of the profit or loss.

4.11 Contingent liabilities and contingent assets

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

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

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

4.12 Employee benefits

4.12.1 Short term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits (continued)

4.12.2 Defined contribution plan

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureau, whereby the Company and its subsidiaries make contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus are responsible for the payment of the basic pension benefits to the retired employees.

4.13 Foreign currencies

4.13.1 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The financial statements of the Group are presented in RMB, which is also the Company's and its subsidiaries' functional currency.

4.13.2 Foreign currency translations and balances

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

4.14 Revenue recognition

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

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

(a) Sale of goods

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Revenue recognition (continued)

(b) Interest income

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

(c) Dividend income

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

4.15 Intangible assets

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

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

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

4.16 Borrowing costs

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

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS

5.1 New FRSs not adopted

(a) FRS 8 *Operating Segments* and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers. The requirements of this Standard are based on the information about the components of the entity that management uses to make decisions about operating matters. This Standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

This Standard also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information for prior years that is reported as comparative information for the initial year of application would be restated to conform to the requirements of this Standard.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of this Standard in future.

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

5.1 New FRSs not adopted (continued)

(b) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202_{2004} *General Insurance Business* and FRS 203_{2004} *Life Insurance Business.*

This Standard applies to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. This Standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. This Standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

By virtue of the exemption provided under paragraph 41AA of FRS 4, the impact of applying FRS 4 on the consolidated financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors* is not disclosed.

(c) FRS 7 *Financial Instruments*: *Disclosures* and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 *Financial Instruments: Disclosure and Presentation.*

This Standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance. By virtue of the exemption provided under paragraph 44AB of FRS 7, the impact of applying FRS 7 on the financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 is not disclosed.

(d) FRS 123 *Borrowing Costs* and the consequential amendments resulting from FRS 123 are mandatory for annual periods beginning on or after 1 January 2010.

This Standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of this Standard in future.

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

5.1 New FRSs not adopted (continued)

(e) FRS 139 *Financial Instruments: Recognition and Measurement* and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

This Standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS139, the impact of applying FRS 139 on the financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

(f) Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations* are mandatory for annual financial periods beginning on or after 1 January 2010.

These amendments clarify that vesting conditions comprise service conditions and performance conditions only. Cancellations by parties other than the Group are accounted for in the same manner as cancellations by the Group itself and features of a share-based payment that are non-vesting conditions are included in the grant date fair value of the share-based payment.

Amendments to FRS 2 is not relevant to the Group's financial statements.

(g) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The cost method of accounting for an investment has also been removed pursuant to these amendments.

Amendments to FRS 1 and FRS 127 are not relevant to the Group's financial statements.

5.2 New IC Interpretations not adopted

(a) IC Interpretation 9 *Reassessment of Embedded Derivatives* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms if the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

IC Interpretation 9 is not relevant to the Group's financial statements.

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

5.2 New IC Interpretations not adopted (continued)

(b) IC Interpretation 10 *Interim Financial Reporting and Impairment* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

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

(c) IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation requires share-based payment transactions in which the Company receives services from employees as consideration for its own equity instruments to be accounted for as equity-settled, regardless of the manner of satisfying the obligations to the employees.

If the Company grants rights to its equity instruments to the employees of its subsidiaries, this Interpretation requires the Company to recognise the equity reserve for the obligation to deliver the equity instruments when needed whilst the subsidiaries shall recognise the remuneration expense for the services received from employees.

If the subsidiaries grant rights to equity instruments of the Company to its employees, this Interpretation requires the Company to account for the transaction as cash-settled, regardless of the manner the subsidiaries obtain the equity instruments to satisfy its obligations.

IC Interpretation 11 is not relevant to the Group's financial statements.

(d) IC Interpretation 13 *Customer Loyalty Programmes* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation requires the separation of award credits as a separately identifiable component of sales transactions involving the award of free or discounted goods or services in the future. The fair value of the consideration received or receivable from the initial sale shall be allocated between the award credits and the other components of the sale.

If the Group supplies the awards itself, the consideration allocated to the award credits shall only be recognised as revenue when the award credits are redeemed. If a third party supplies the awards, the Group shall assess whether it is acting as a principal or agent in the transaction.

If the Group is acting as the principal in the transaction, it shall measure its revenue as the gross consideration allocated to the award credits. If the Group is acting as an agent, it shall measure its revenue as the net amount retained on its own account, and recognise the net amount as revenue when the third party becomes obliged to supply the awards and entitled to receive the consideration for doing so.

IC Interpretation 13 is not relevant to the Group's financial statements.

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

5.2 New IC Interpretations not adopted (continued)

(e) IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. This Interpretation clarifies that an economic benefit is available if the Group can realise it at some point during the life of the plan or when the plan liabilities are settled, and that it does not depend on how the Group intends to use the surplus.

A right to refund is available to the Group in stipulated circumstances and the economic benefit available shall be measured as the amount of the surplus at the balance sheet date less any associated costs. If there are no minimum funding requirements, the economic benefit available shall be determined as a reduction in future contributions as the lower of the surplus in the plan and the present value of the future service cost to the Group. If there is a minimum funding requirement for contributions relating to the future accrual of benefits, the economic benefit available shall be determined as a reduction in future contributions at the present value of the estimated future service cost less the estimated minimum funding required in each financial period.

IC Interpretation 14 is not relevant to the Group's financial statements.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Critical judgements made in applying accounting policies

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

Basis of consolidation – business combination involving entities under common control

In conjunction with the proposed initial public offering ("IPO") involving the Company, on 30 April 2009, the Company acquired the entire equity interests of HongPeng Footwear and XiDeLang Sports Goods for considerations of RMB37,000,000 and RMB36,000,000 respectively. The vendors of HongPeng Footwear are Mr Ding JiaXing and Ms Ding LiHong whilst the vendors of XiDeLang Sports Goods are Mr Ding JiaXing and Mr Ding PengPeng.

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling parties before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate controlling parties that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a restructuring under common control in a manner similar to pooling of interest or merger. Accordingly, consolidated financial statements have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries, which were under common control of the ultimate controlling parties and management that existed prior to the reorganisation exercise during the relevant period or since their respective dates of incorporation.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Key sources of estimation uncertainty

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

(a) Impairment

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

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

(b) Depreciation and amortisation

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

(c) Contingent liabilities

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

7. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery RMB	Electronic equipment RMB	Other equipment RMB	Construction in progress RMB	Total RMB
Carrying amount					
At 1 January 2008	4,242,794	190,487	136,179	-	4,569,460
Depreciation charge for the financial year	(864,729)	(54,234)	(38,964)	-	(957,927)
At 31 December 2008 and 1 January 2009	3,378,065	136,253	97,215	-	3,611,533
Additions	-	-	3,607	48,000,000	48,003,607
Written off	(24,620)	-	-	-	(24,620)
Depreciation charge for the financial period	(281,941)	(24,104)	(15,936)	-	(321,981)
At 30 June 2009	3,071,504	112,149	84,886	48,000,000	51,268,539

	Plant and machinery RMB	Electronic equipment RMB	Other equipment RMB	Construction in progress RMB	Total RMB
At 30 June 2009					
Cost	9,514,231	333,100	265,738	48,000,000	58,113,069
Accumulated depreciation	(6,442,727)	(220,951)	(180,852)	-	(6,844,530)
Carrying amount	3,071,504	112,149	84,886	48,000,000	51,268,539
At 31 December 2008					
Cost	9,601,231	333,100	262,131	-	10,196,462
Accumulated depreciation	(6,223,166)	(196,847)	(164,916)	-	(6,584,929)
Carrying amount	3,378,065	136,253	97,215	-	3,611,533

Company	Plant and machinery RMB	Electronic equipment RMB	Other equipment RMB	Total RMB
Carrying amount				
At 1 January 2008	3,643,430	190,487	126,039	3,959,956
Depreciation charge for the financial year	(783,306)	(54,234)	(33,348)	(870,888)
At 31 December 2008 and 1 January 2009	2,860,124	136,253	92,691	3,089,068
Written off	(13,278)	-	-	(13,278)
Depreciation charge for the financial period	(241,229)	(24,104)	(14,424)	(279,757)
At 30 June 2009	2,605,617	112,149	78,267	2,796,033

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and machinery RMB	Electronic equipment RMB	Other equipment RMB	Total RMB
Company				
At 30 June 2009				
Cost	8,631,031	333,100	230,931	9,195,062
Accumulated depreciation	(6,025,414)	(220,951)	(152,664)	(6,399,029)
Carrying amount	2,605,617	112,149	78,267	2,796,033
At 31 December 2008				
Cost	8,696,531	333,100	230,931	9,260,562
Accumulated depreciation	(5,836,407)	(196,847)	(138,240)	(6,171,494)
Carrying amount	2,860,124	136,253	92,691	3,089,068

During the financial period/year, the Group made the following cash payments to purchase property, plant and equipment:-

	Group 1.1.2009 to 30.6.2009 RMB	Group 1.1.2008 to 31.12.2008 RMB
Purchase of property, plant and equipment	48,003,607	-
Settlement on behalf by a related party	(13,000,000)	-
Cash payments on purchase of property, plant and equipment	35,003,607	-

8. PREPAID LEASE PAYMENTS FOR LAND

	Group		Company	
	30.6.2009 RMB	31.12.2008 RMB	30.6.2009 RMB	31.12.2008 RMB
Carrying amount				
At 1 January 2009/2008	58,850,324	60,067,527	5,215,833	5,325,833
Amortisation charge for the financial period/year	(608,601)	(1,217,203)	(55,000)	(110,000)
Carrying amount	58,241,723	58,850,324	5,160,833	5,215,833
Cost	60,860,170	60,860,170	5,500,000	5,500,000
Accumulated amortisation	(2,618,447)	(2,009,846)	(339,167)	(284,167)
Carrying amount	58,241,723	58,850,324	5,160,833	5,215,833

The prepaid lease payments for land represent land use rights situated in the PRC. The Group is granted land use rights for a period of 50 years.

Prepaid lease payments for land with carrying amount of RMB52,155,214 (31.12.2008: RMB52,698,950) have been charged to a licensed bank for the banking facilities granted to a subsidiary.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	30.6.2009	**31.12.2008**
	RMB	**RMB**
Unquoted equity shares, at cost	73,000,000	-

The details of the subsidiaries, which are incorporated in the PRC, are as follows:

Name of company	Interest in equity 30.6.2009	Interest in equity 31.12.2008	Principal activities
HongPeng Footwear	100%	-	Design, manufacturing and marketing of sports shoes
XiDeLang Sports Goods	100%	-	The registered scope of business under its business license is the manufacturing of shoes and apparels. Since its incorporation and up to the date of these financial statements, XiDeLang Sports Goods has not engaged in any manufacturing activity. However, it is the owner of the proprietary 'XiDeLang' brand

All the subsidiaries of the Company are audited by BDO Binder, Malaysia solely for the purpose of the preparation of the prospectus in relation to a proposed IPO in Malaysia involving the Company and its subsidiaries.

On 30 April 2009, in conjunction with a IPO in Malaysia involving the Company, the Company acquired the entire equity interests in HongPeng Footwear and XiDeLang Sports Goods from the existing equity holders of these companies for considerations of RMB37,000,000 and RMB36,000,000 respectively.

As the Group is under common control before and after the reorganisation exercise, the consolidated financial statements have been prepared on the basis of merger accounting and the financial statements of the Company and its subsidiaries have been included in the consolidated financial statements for the current financial period and the comparative financial year as if they have been in effect since the beginning of the previous financial year. Adjustments have been made to the comparative figures of the consolidated financial statements to eliminate the inter-company transactions and balances. In addition, certain comparative figures of the financial statements of the Company have been reclassified as disclosed in the Note 29 to the financial statements.

The cost of merger, which is same as the costs of investments in subsidiaries in this context, are fully cancelled against the nominal values of the paid-up capital of subsidiaries received with no difference. In addition, the statutory surplus reserves and retained earnings of the subsidiaries have been combined in the consolidated financial statements.

10. INVENTORIES

	Group		Company	
	30.6.2009 RMB	**31.12.2008 RMB**	**30.6.2009 RMB**	**31.12.2008 RMB**
At cost				
Raw materials	9,898,441	18,834,065	5,018,513	14,086,037
Work in progress	14,224,946	6,125,663	13,838,774	5,752,193
Finished goods	10,022,849	18,982,000	9,056,869	18,266,286
	34,146,236	43,941,728	27,914,156	38,104,516

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	30.6.2009 RMB	**31.12.2008 RMB**	**30.6.2009 RMB**	**31.12.2008 RMB**
Trade receivables				
Third parties	280,427,954	177,564,709	273,401,240	169,453,004
Less: Allowance for doubtful debts	(196,527)	(196,527)	-	-
	280,231,427	177,368,182	273,401,240	169,453,004
Other receivables and prepayments				
Third parties	2,460,170	11,167,921	-	8,613,291
Amount owing by a related party	-	82,074,054	-	1,730,750
Amounts owing by subsidiaries	-	-	9,506,936	-
	2,460,170	93,241,975	-	10,344,041
Less: Allowance for doubtful debts - Third parties	(496,000)	(496,000)	-	-
	1,964,170	92,745,975	9,506,936	10,344,041
Prepayments	4,855,898	-	4,855,898	-
	287,051,495	270,114,157	287,764,074	179,797,045

(i) Trade receivables are non-interest bearing and the normal trade credit term granted by the Group and by the Company is ninety (90) days.

(ii) Included in the other receivables (third parties) of the Group and of the Company at 31 December 2008 was an amount of RMB8,613,291, which represented rebates / incentives receivables from the suppliers of the Group and of the Company.

(iii) Amount owing by a related party represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

(iv) Amounts owing by subsidiaries of the Company at 30 June 2009 represent advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

12. TAXATION

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

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

(b) Current tax assets and liabilities

	Group		Company	
	30.6.2009 RMB	**31.12.2008 RMB**	**30.6.2009 RMB**	**31.12.2008 RMB**
Current assets				
Corporate income tax	354,727	246,328	-	-
Current liabilities				
Corporate income tax	19,646,473	12,506,759	18,293,733	11,154,019
Value added tax	5,525,429	5,983,190	5,477,089	5,859,873
Land use right tax	682,792	455,899	12,180	-
Withholding tax on dividends	2,050,000	-	2,050,000	-
Others	65,215	76,871	54,771	58,599
	27,969,909	19,022,719	25,887,773	17,072,491

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	30.6.2009 RMB	**31.12.2008 RMB**	**30.6.2009 RMB**	**31.12.2008 RMB**
Cash and bank balances	71,733,565	78,290,320	66,358,532	69,924,420
Deposits with licensed bank	2,148,795	2,146,840	-	-
As per balance sheet	73,882,360	80,437,160	66,358,532	69,924,420
Less: Deposits (Note (a) below)	(2,148,795)	(2,146,840)	-	-
As per cash flow statement	71,733,565	78,290,320	66,358,532	69,924,420

13. CASH AND CASH EQUIVALENTS (continued)

(a) Deposits with licensed bank represent guarantee deposits pledged for bankers' acceptance facilities granted to a subsidiary (Note 17(b)).

(b) Information on financial risks of cash and cash equivalents are disclosed in Note 24(a)(iii) to the financial statements.

14. CAPITAL

	Group and Company	
	30.6.2009	**31.12.2008**
	RMB	**RMB**
Registered	8,500,000	8,500,000
Paid-up	8,500,000	8,500,000

15. RESERVES

	Group		Company	
	30.6.2009	**31.12.2008**	**30.6.2009**	**31.12.2008**
	RMB	**RMB**	**RMB**	**RMB**
Non-distributable:				
Statutory surplus reserve	7,527,594	7,527,594	4,250,000	4,250,000
Distributable:				
Retained earnings	166,034,806	132,157,244	159,472,676	104,389,886
	173,562,400	139,684,838	163,722,676	108,639,886

(a) Statutory surplus reserve

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

(b) Retained earnings

The Company can frank the payment of net dividends out of its entire distributable retained earnings as at 30 June 2009 without incurring any additional liabilities.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	30.6.2009 RMB	31.12.2008 RMB	30.6.2009 RMB	31.12.2008 RMB
Trade payables				
Third parties	175,356,705	108,462,095	170,096,303	102,063,146
Other payables and accruals				
Third parties	1,282,286	157,075	347,502	-
Related party	1,965,407	73,000,000	1,965,407	-
Amount owing to ultimate holding company	38,950,000	-	38,950,000	-
Amounts owing to subsidiaries	-	-	43,342,239	14,493,064
Dividend payables	5,479,188	43,479,188	5,479,188	43,479,188
Accruals	5,379,185	2,395,315	4,702,540	1,883,107
	53,056,066	119,031,578	94,786,876	59,855,359
	228,412,771	227,493,673	264,883,179	161,918,505

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Company is ninety (90) days.

(b) The amount owing to ultimate holding company represents dividend payable, which is unsecured, interest free and repayable on demand.

(c) The amounts owing to subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

(d) The amount owing to a related party as at 30 June 2009 represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand. The amount owing to related party as at 31 December 2008 represented the purchase considerations payable for the acquisitions of subsidiaries as if the acquisitions in effect since the beginning of the previous financial year.

17. BORROWINGS

	Group	
	30.6.2009 RMB	31.12.2008 RMB
Secured		
Short term bank loans (Note (a) below)	36,500,000	36,500,000
Recourse factoring	8,500,000	8,500,000
Bankers' acceptances (Note (b) below)	7,000,000	7,000,000
	52,000,000	52,000,000
Unsecured		
Short term bank loans (Note (c) below)	14,500,000	10,500,000
	66,500,000	62,500,000

(a) The short term bank loans are secured by the following:-

(i) short term loans of RMB20,000,000 are secured by a legal charge over prepaid lease payments for land of subsidiaries; and

(ii) short term loans of RMB16,500,000 are secured by a legal charge over a building of a Director of the Company.

17. BORROWINGS (continued)

(b) The bankers' acceptances are guaranteed by a third party corporation and is secured by:

(i) the deposits pledged to the bank (Note 13(a)); and

(ii) A negative pledge on the assets of a subsidiary.

During the current financial period, the bankers' acceptances are further guaranteed by a Director and a third party individual.

(c) The unsecured short term loans are jointly guaranteed by the Company's Directors, a third party corporation and a third party individual.

(d) Information on financial risks of borrowings is disclosed in Note 24 to the financial statements.

18. REVENUE

Revenue represents sales of goods.

19. PROFIT BEFORE TAX

	Group		Company	
	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	-	492,527	-	-
Amortisation of prepaid lease payments (Note 8)	608,601	1,217,203	55,000	110,000
Bad debts written off	628	1,259	-	-
Depreciation of property, plant and equipment (Note 7)	321,981	957,927	279,757	870,888
Interest expense on bank borrowings	1,974,466	2,872,245	-	-
Inventories written off	195,708	-	195,708	-
Property, plant and equipment written off (Note 7)	24,620	-	13,278	-
Rental of:				
- premises	1,030,300	2,060,600	1,020,300	2,040,600
- hostel	280,320	560,640	280,320	560,640
Research and development expenses	425,927	855,162	425,927	855,162
And crediting:				
Dividend income received from a subsidiary	-	-	20,000,000	-
Interest income	152,328	230,730	145,394	202,354

20. TAX EXPENSE

	Group		Company	
	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Current tax expense based on profit for the financial period/year	25,385,107	34,732,634	25,385,107	34,626,811

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

	Group		Company	
	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Profit before tax	100,262,669	135,590,512	121,467,897	138,507,244
Tax at PRC statutory tax rate at 25%	25,065,667	33,897,628	30,366,974	34,626,811
Tax effect in respect of:				
Income not subject to tax	-	-	(5,000,000)	-
Non-allowable expenses	60,236	140,527	18,133	-
Deferred tax assets not recognised	259,204	694,479	-	-
	25,385,107	34,732,634	25,385,107	34,626,811

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

	Group	
	30.6.2009 RMB	31.12.2008 RMB
Allowance for doubtful debts	692,527	692,527
Unused tax losses		
- Expire by 31 December 2011	356,290	356,290
- Expire by 31 December 2012	993,821	993,821
- Expire by 31 December 2013	2,285,390	2,285,390
- Expire by 31 December 2014	1,036,815	-
	5,364,843	4,328,028

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

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

21. DIVIDENDS

	Group and Company			
	1.1.2009 to 30.6.2009		1.1.2008 to 31.12.2008	
	% of dividend over paid-up capital RMB	Total amount of dividend RMB	% of dividend over paid-up capital RMB	Total amount of dividend RMB
In respect of the financial year ended 31 December 2008 approved by the equity holders in 2009	482.35%	41,000,000	-	-
In respect of the financial years ended 31 December 2006 and 2007 and approved by the equity holders in 2008				
- paid and payable to XiDeLang Sports Goods and eliminated on the consolidated financial statements	-	-	247.95%	21,076,227
- paid and payable to a former equity holder	-	-	743.87%	63,228,680
	-	-	991.82%	84,304,907

22. EMPLOYEE BENEFITS

The total staff costs recognised in the income statement are as follows:

	Group		Company	
	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Salaries, wages and bonus	13,282,014	25,873,003	11,070,312	21,839,215
Contributions to defined contribution plan	1,235,600	2,075,978	1,213,718	2,032,610
	14,517,614	27,948,981	12,284,030	23,871,825

22. EMPLOYEE BENEFITS (continued)

Included in the employee benefits of the Group and the Company are Executive Directors' remuneration as follows:

	Group		Company	
	1.1.2009 to 30.6.2009 RMB	**1.1.2008 to 31.12.2008 RMB**	**1.1.2009 to 30.6.2009 RMB**	**1.1.2008 to 31.12.2008 RMB**
Directors' remunerations	145,333	218,500	145,333	218,500

23. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

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

Identities of related parties	Relationship with the Group
XinYuanChan	Ultimate holding company
Ding PengPeng	Director and the ultimate controlling party of the Company
Ding LiHong	Director of the Company
Ding JiaXing	Family member of two of the Directors of the Company
HongPeng Footwear and XiDeLang Sports Goods	Subsidiaries

23. RELATED PARTY DISCLOSURES

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

	Group		Company	
	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Acquisition of the entire equity interests in subsidiaries from related parties	-	-	73,000,000	-
Building of a Director pledged to bank for credit facilities granted to subsidiaries (Note 17(a)(ii))	16,500,000	16,500,000	-	-
Joint guarantees given by the Directors with other third parties for credit facilities granted to subsidiaries (Note 17(b) and (c))	21,500,000	10,500,000	-	-
Rental paid to related parties	1,300,620	2,601,240	1,300,620	2,601,240

Significant balances with subsidiaries and related party as at balance sheet date are disclosed in Note 11 and 16 to the financial statements.

(c) Compensation of key management personnel

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

	Group and Company	
	1.1.2009 to 30.6.2009 RMB	1.1.2008 to 31.12.2008 RMB
Short term employee benefits	359,746	1,033,785
Contributions to defined contribution plans	5,905	11,310
	365,651	1,045,095

24. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group is exposed mainly to liquidity and cash flow risk and credit risk. Information on the management of the related exposures is detailed below.

(i) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks where the Group is unable to service its cash obligations in the future. To mitigate the risks, the management measures and forecasts its cash commitments and monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

(ii) Credit risk

Receivables may give rise to credit risk which requires the loss to be recognised if a counter party fail to perform as contracted. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history on an ongoing basis.

The Group's exposure to credit risk is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The following shows the total amount due from the top eleven (11) major customers as at balance sheet date, which represents more than 56% (31.12.2008: 58%) of the total trade receivables for each of the financial period/year. Other than as mentioned, the Group has no significant concentration of credit risk.

	Group and Company	
	30.6.2009	**31.12.2008**
	RMB	**RMB**
Trade receivables	157,806,348	103,717,732

The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheet.

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

24. FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

(iii) Interest rate risk

The Group's primary interest rate risk relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The Group's fixed-rate deposits and borrowings are exposed to a risk of changes in their fair values due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. There is no formal hedging policy with respect to interest rate exposure.

Short term receivables and payables are not exposed to interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

The following tables set out the carrying amounts, the effective interest rates as at the balance sheet date of Group's financial assets and financial liabilities that are exposed to interest rate risk and the periods in which they mature, or if earlier, reprice.

	Note	Effective interest rate %	Within 1 year RMB	1 – 2 years RMB	2 – 5 years RMB	Over 5 years RMB	Total RMB
Group							
At 30 June 2009							
Fixed rate instruments							
Short term loans	17	5.83-7.25	(51,000,000)	-	-	-	(51,000,000)
Bankers' acceptances	17	-	(7,000,000)	-	-	-	(7,000,000)
Deposits with a licensed bank	13(a)	0.36	2,148,795	-	-	-	2,148,795
Floating rate instruments							
Recourse factoring	17	5.84	(8,500,000)	-	-	-	(8,500,000)
At 31 December 2008							
Fixed rate instruments							
Short term loans	17	5.84-9.71	(47,000,000)	-	-	-	(47,000,000)
Bankers' acceptances	17	-	(7,000,000)	-	-	-	(7,000,000)
Deposits with a licensed bank	13(a)	0.66	2,146,840	-	-	-	2,146,840
Floating rate instruments							
Recourse factoring	17	5.84	(8,500,000)	-	-	-	(8,500,000)

(b) Fair values

The carrying amounts of the financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

25. CAPITAL COMMITMENTS

	Group		Company	
	30.6.2009	**31.12.2008**	**30.6.2009**	**31.12.2008**
	RMB	**RMB**	**RMB**	**RMB**
Capital expenditure in respect of purchase of property, plant and equipment:				
Contracted but not provided for	108,000,000	156,000,000	-	-
Approved but not contracted for	10,000,000	10,000,000	10,000,000	10,000,000

26. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

On 29 June 2009, a proposed initial public offering ("Proposed IPO") in Malaysia involving XinYuanChan, the Company and its subsidiaries was conditionally approved by the authorities.

27. EVENT AFTER THE BALANCE SHEET DATE

On 9 July 2009, in conjunction with the Proposed IPO, XiDeLang Holdings Ltd. ("XiDeLang") acquired the entire issued and fully paid-up capital of XinYuanChan.

Subsequent to the acquisition of XinYuanChan by XiDeLang, the Directors regard HongPeng International Holdings Limited, a company incorporated in British Virgin Island, XiDeLang, a company incorporated in Bermuda and XinYuanChan, as the ultimate holding company, intermediate holding company and immediate holding company respectively.

28. CONTINGENT LIABILTIES - UNSECURED

	Group	
	30.6.2009	**31.12.2008**
	RMB	**RMB**
Corporate guarantee given by a subsidiary in respect of the banking facilities granted to third parties	3,900,000	5,900,000

29. COMPARATIVE FIGURES

Certain comparative figures of the financial statements of the Company have been reclassified in order to conform with the current financial period's presentation following the Company acquired the entire equity interests in HongPeng Footwear and XiDeLang Sports Goods (Note 9 to the financial statements).

	As previously reported RMB	Reclassification RMB	As presented RMB
Notes to the financial statements			
Trade and other payables (Note 16)			
Dividends payable	57,972,252	(14,493,064)	43,479,188
Amount owing to a subsidiary	-	14,493,064	14,493,064

(Prepared for inclusion in this Prospectus)

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

REPORT AND AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2006, 2007 AND 2008

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

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350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO. LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 4 to 29 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and of the results of the operations of the Company and of the cash flows of the Company for the respective financial years then ended.

On behalf of the Board,

....
Ding PengPeng
Director

Jinjiang City, Peoples' Republic of China

22 MAY 2009

BDO

BDO Binder (AF 0206)
Chartered Accountants

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
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Website : www.bdobinder.com

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD.

Report on the Financial Statements

We have audited the financial statements of HongPeng (Fujian) Shoes & Garments Co., Ltd., which comprise the balance sheets as at 31 December 2006, 2007 and 2008 of the Company, and the income statements, statements of changes in equity and cash flow statements of the Company for the respective financial years then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 29.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Company No:
350500400011132

BDO

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and of the results of the operations of the Company and of the cash flows of the Company for the respective financial years then ended.

Other matters

The abovementioned financial statements of the Company are prepared solely for the Board of Directors of the Company for the purpose of submissions to Securities Commission ("SC") and the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia ("IPO") involving the Company and are not be used in whole or in part for any other purposes. We do not assume responsibility to any other person for the content of this report.

BDO Binder

BDO Binder
AF : 0206
Chartered Accountants

Kuala Lumpur
22 May 2009

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

BALANCE SHEETS
AS AT 31 DECEMBER 2006, 2007 AND 2008

	Note	2008 RMB	2007 RMB	2006 RMB
ASSETS				
Non-current assets				
Property, plant and equipment	7	3,089,068	3,959,956	4,722,435
Prepaid lease payments for land	8	5,215,833	5,325,833	5,435,833
		8,304,901	9,285,789	10,158,268
Current assets				
Inventories	9	38,104,516	60,066,939	22,479,017
Trade and other receivables	10	179,797,045	128,449,776	56,506,557
Cash and bank balances		69,924,420	18,536,545	13,054,054
		287,825,981	207,053,260	92,039,628
TOTAL ASSETS		296,130,882	216,339,049	102,197,896
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Capital	11	8,500,000	8,500,000	8,500,000
Reserves	12	108,639,886	89,064,360	31,164,178
TOTAL EQUITY		117,139,886	97,564,360	39,664,178
LIABILITIES				
Current liabilities				
Trade and other payables	13	161,918,505	109,221,497	57,902,559
Current tax liabilities	14(b)	17,072,491	9,553,192	4,631,159
		178,990,996	118,774,689	62,533,718
TOTAL EQUITY AND LIABILITIES		296,130,882	216,339,049	102,197,896

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

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Note	2008 RMB	2007 RMB	2006 RMB
Revenue	15	537,661,900	316,102,413	164,664,348
Cost of sales		(376,639,774)	(227,053,096)	(122,203,712)
Gross profit		161,022,126	89,049,317	42,460,636
Other income		202,354	94,075	54,876
Distribution costs		(15,274,648)	(6,642,361)	(3,131,309)
Administrative and other expenses		(7,442,588)	(6,316,580)	(4,898,594)
Profit before tax	16	138,507,244	76,184,451	34,485,609
Tax expense	17	(34,626,811)	(18,284,269)	(8,276,546)
Net profit for the financial year		103,880,433	57,900,182	26,209,063

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

Company No:
350500400011132

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

			Non-distributable	*Distributable*	
		Capital RMB	**Statutory surplus reserves RMB**	**Retained earnings RMB**	**Total equity RMB**
Balance as at 31 December 2005		8,500,000	4,250,000	22,070,617	34,820,617
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	26,209,063	26,209,063
Dividend	18	-	-	(21,365,502)	(21,365,502)
Balance as at 31 December 2006		8,500,000	4,250,000	26,914,178	39,664,178
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	57,900,182	57,900,182
Balance as at 31 December 2007		8,500,000	4,250,000	84,814,360	97,564,360
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	103,880,433	103,880,433
Dividend	18	-	-	(84,304,907)	(84,304,907)
Balance as at 31 December 2008		8,500,000	4,250,000	104,389,886	117,139,886

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

Company No:
350500400011132

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HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Note	2008 RMB	2007 RMB	2006 RMB
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		138,507,244	76,184,451	34,485,609
Adjustments for:				
Amortisation of prepaid lease payments	8	110,000	110,000	64,167
Depreciation of property, plant and equipment	7	870,888	866,019	824,706
Interest income		(202,354)	(94,075)	(54,876)
Operating profit before working capital changes		139,285,778	77,066,395	35,319,606
Decrease/(Increase) in inventories		21,962,423	(37,587,922)	(3,506,841)
Increase in trade and other receivables		(51,869,269)	(72,317,719)	(18,265,807)
Increase in trade and other payables		10,014,596	61,635,435	11,014,449
Cash generated from operations		119,393,528	28,796,189	24,561,407
Corporate income tax paid		(31,031,850)	(13,678,733)	(7,639,699)
Net cash from operating activities		88,361,678	15,117,456	16,921,708
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		202,354	94,075	54,876
Repayments from/(advances to) other receivables		522,000	374,500	(1,201,150)
Acquisition of prepaid lease payments for land	8	-	-	(5,500,000)
Purchase of property, plant and equipment	7	-	(103,540)	(370,710)
Net cash from/(used) in investing activities		724,354	365,035	(7,016,984)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(37,698,157)	(10,000,000)	(13,142,441)
Net cash used in financing activities		(37,698,157)	(10,000,000)	(13,142,441)
Net increase/(decrease) in cash and cash equivalents		51,387,875	5,482,491	(3,237,717)
Cash and cash equivalents at beginning of financial year		18,536,545	13,054,054	16,291,771
Cash and cash equivalents at end of financial year		69,924,420	18,536,545	13,054,054

Cash and cash equivalents represent cash and bank balances.

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

HONGPENG (FUJIAN) SHOES & GARMENTS CO., LTD. (350500400011132)

(Incorporated in the Peoples' Republic of China)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006, 2007 AND 2008

1. CORPORATE INFORMATION

The Company (鸿鹏（福建）鞋服有限公司) was incorporated and domiciled in the Peoples' Republic of China (the "PRC") on 29 November 1996 as a sino-foreign owned limited liability company. The equity holders were Hong Kong Yuen Cheng Trading Development Co., ("Yuen Cheng") and XiDeLang Sports Goods Co., Ltd. ("XiDeLang Sports Goods") with equity interests of 75% and 25% respectively in the Company.

On 21 October 2008, Hong Kong XinYuanChan International Holding Co., Limited ("XinYuanChan") acquired the 100% equity interests of the Company from Yuen Cheng and XiDeLang Sports Goods. After the acquisition, the Company is changed from a sino-foreign owned enterprise to wholly foreign owned enterprise ("WFOE").

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

The Directors regard XinYuanChan, a company incorporated in Hong Kong as the holding company.

The financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors on 22 May 2009.

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

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment. There have been no significant changes in the nature of these activities during the financial years.

3. BASIS OF PREPARATION

The financial statements of the Company for the financial years ended 31 December 2006, 2007 and 2008 have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

4.2 Property, plant and equipment and depreciation

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

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

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

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

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

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

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.4 to the financial statements on impairment of non-financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Property, plant and equipment and depreciation (continued)

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

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

4.3 Leases of land

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risk and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront payments made on entering into or acquiring leasehold land are accounted for as prepaid lease payments and are amortised over the lease term on a straight line basis.

4.4 Impairment of non-financial assets

The carrying amount of non-financial assets, except for inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

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

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

Such reversals are recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Inventories

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

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

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

4.6 Financial instruments

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

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

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

4.6.1 Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheets when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(a) Receivables

Trade and other receivables, including amounts owing by related party, are classified as loans and receivables under FRS 132 Financial Instruments: Disclosure and Presentation.

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowances are made for any debts which are considered doubtful of collection.

Receivables are not held for trading purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

4.6.1 Financial instruments recognised on the balance sheets (continued)

(b) Cash and cash equivalents

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

(c) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties are initially recognised and subsequently measured at the consideration to be paid in the future for goods and services received.

(d) Equity instruments

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in paid-up capital (or share capital) and capital reserve.

Dividends to shareholders are recognised in equity in the period in which they are declared.

4.6.2 Financial instruments not recognised on the balance sheets

There are no financial instruments not recognised on the balance sheets.

4.7 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Taxation

(a) Income taxes

Income taxes include all domestic taxes on taxable profit.

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Taxation (continued)

(a) Income taxes (continued)

(ii) Deferred tax (continued)

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

(b) Other taxes

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

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

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

Land use right tax and other taxes are recognised in the administration and other expenses of the income statement.

4.9 Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Employee benefits

4.10.1 Short term employee benefits

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

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

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

4.10.2 Defined contribution plan

The Company makes contributions to statutory social security schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and presentation currency.

4.12 Revenue recognition

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

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

(a) Sale of goods

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Revenue recognition (continued)

(b) Interest income

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

4.13 Research and development

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

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS

5.1 New FRSs and amendments to FRSs adopted

(a) The Company has adopted all the following FRSs and amendments to FRSs that were effective on or before 1 January 2008 for the preparation of the financial statements for the financial years ended 31 December 2006, 2007 and 2008.

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 114_{2004}	Segment Reporting
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
Amendment to FRS 119_{2004}	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 123_{2004}	Borrowing Costs

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

5.1 New FRSs and amendments to FRSs adopted (continued)

FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 138	Intangible Assets
FRS 140	Investment Property
IC Interpretation 107	Introduction of the Euro
IC Interpretation 110	Government Assistance - No Specific Relation to Operating Activities
IC Interpretation 112	Consolidation - Special Purpose Entities
IC Interpretation 113	Jointly Controlled Entities - Non Monetary Contributions by Ventures
IC Interpretation 115	Operating Leases - Incentives
IC Interpretation 121	Income Taxes - Recovery of Revalued Non-Depreciable Assets
IC Interpretation 125	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Interpretation 129	Disclosure - Service Concession Arrangements
IC Interpretation 131	Reserve - Barter Transactions Involving Advertising Transactions
IC Interpretation 132	Intangible Assets - Web Site Costs
IC Interpretation 201	Preliminary and Pre-operating Expenditure
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising From Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

FRS 2, FRS 5, FRS 6, FRS 111, FRS 114_{2004}, Amendment to FRS 119_{2004}, FRS 120, Amendment to FRS 121, FRS 128, FRS 131, FRS 133, FRS 134, FRS 140 and abovementioned IC Interpretations are not relevant to the Company's operations.

The adoption of the above FRSs and IC Interpretations did not result in changes to the Company's accounting policies and did not materially affect the net profit of the Company for the financial years ended 31 December 2006, 2007 and 2008.

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

5.1 New FRS and amendments to FRS adopted (continued)

(b) Framework for the Preparation and Presentation of Financial Statements ("Framework")

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a Malaysian Accounting Standard Board's approved FRS as defined in paragraph 11 of FRS 101 Presentation of Financial Statements and hence, does not define standards for any particular measurement or disclosure issue.

5.2 New FRSs and IC Interpretations not adopted

(a) FRS 8 Operating Segments and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers. The requirements of this standard are based on the information about the components of the entity that management uses to make decisions about operating matters. The standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The standard also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information for prior years that is reported as comparative information for the initial year of application would be restated to conform to the requirements of this standard.

FRS 8 is not relevant to the Company's financial statements.

(b) FRS 4 Insurance Contracts and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202_{2004} General Insurance Business and FRS 203_{2004} Life Insurance Business.

The standard applies to all insurance to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. The standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. The standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

FRS 4 is not relevant to the Company's financial statements.

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

5.2 New FRSs and IC Interpretations not adopted (continued)

(c) FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation.

The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(d) FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

(e) IC Interpretation 9 Reassessment of Embedded Derivatives is mandatory or annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms if the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

IC Interpretation 9 is not relevant to the Company's financial statements.

(f) IC Interpretation 10 Interim Financial Reporting and Impairment is mandatory or annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The Company do not expect any impact on its financial statements arising from the adoption of this Interpretation in the future.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have significant effect on the amount recognised in these financial statements.

6.2 Key sources of estimation uncertainty

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

(a) Impairment

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

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

(b) Depreciation and amortisation

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

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB	Electronic equipment RMB	Other equipment RMB	Total RMB
Carrying amount				
At 1 January 2006	4,911,869	163,285	101,277	5,176,431
Additions	205,650	79,560	85,500	370,710
Depreciation charge for the year	(766,532)	(30,785)	(27,389)	(824,706)
At 31 December 2006 and 1 January 2007	4,350,987	212,060	159,388	4,722,435
Additions	73,800	29,740	-	103,540
Depreciation charge for the year	(781,357)	(51,313)	(33,349)	(866,019)
At 31 December 2007 and 1 January 2008	3,643,430	190,487	126,039	3,959,956
Depreciation charge for the year	(783,306)	(54,234)	(33,348)	(870,888)
At 31 December 2008	2,860,124	136,253	92,691	3,089,068

	Plant and machinery RMB	Electronic equipment RMB	Other equipment RMB	Total RMB
At 31 December 2006				
Cost	8,622,731	303,360	230,931	9,157,022
Accumulated depreciation	(4,271,744)	(91,300)	(71,543)	(4,434,587)
Carrying amount	4,350,987	212,060	159,388	4,722,435
At 31 December 2007				
Cost	8,696,531	333,100	230,931	9,260,562
Accumulated depreciation	(5,053,101)	(142,613)	(104,892)	(5,300,606)
Carrying amount	3,643,430	190,487	126,039	3,959,956
At 31 December 2008				
Cost	8,696,531	333,100	230,931	9,260,562
Accumulated depreciation	(5,836,407)	(196,847)	(138,240)	(6,171,494)
Carrying amount	2,860,124	136,253	92,691	3,089,068

8. PREPAID LEASE PAYMENTS FOR LAND

	2008 RMB	2007 RMB	2006 RMB
Carrying amount			
At 1 January	5,325,833	5,435,833	-
Additions	-	-	5,500,000
Amortisation charge for the year	(110,000)	(110,000)	(64,167)
At 31 December	5,215,833	5,325,833	5,435,833
Cost	5,500,000	5,500,000	5,500,000
Accumulated amortisation	(284,167)	(174,167)	(64,167)
Carrying amount	5,215,833	5,325,833	5,435,833

The prepaid lease payments for land represent land use rights situated in the PRC. The Company is granted land use rights for a period of 50 years.

9. INVENTORIES

	2008 RMB	2007 RMB	2006 RMB
At cost			
Raw materials	14,086,037	11,468,684	10,716,007
Work in progress	5,752,193	5,333,955	1,427,165
Finished goods	18,266,286	43,264,300	10,335,845
	38,104,516	60,066,939	22,479,017

10. TRADE AND OTHER RECEIVABLES

	2008 RMB	2007 RMB	2006 RMB
Trade receivables	169,453,004	126,197,026	53,879,307
Other receivables	8,613,291	-	-
Amount owing by a related party	1,730,750	2,252,750	2,627,250
	179,797,045	128,449,776	56,506,557

(i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Company is ninety (90) days.

(ii) Other receivables in 2008 represent rebates / incentives receivables from the suppliers.

(iii) Amount owing by a related party represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

11. CAPITAL

	2008 RMB	2007 RMB	2006 RMB
Registered	8,500,000	8,500,000	8,500,000
Paid-up	8,500,000	8,500,000	8,500,000

12. RESERVES

	2008 RMB	2007 RMB	2006 RMB
Non-distributable:			
Statutory surplus reserve	4,250,000	4,250,000	4,250,000
Distributable:			
Retained earnings	104,389,886	84,814,360	26,914,178
	108,639,886	89,064,360	31,164,178

(a) Statutory surplus reserve

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

(b) Retained earnings

The Company can frank the payment of net dividends out of its entire distributable retained earnings as at 31 December 2008 without incurring any additional liabilities.

13. TRADE AND OTHER PAYABLES

	2008 RMB	2007 RMB	2006 RMB
Trade payables	102,063,146	95,808,751	35,094,712
Dividend payables	57,972,252	11,365,502	21,365,502
Accruals	1,883,107	2,047,244	1,442,345
	161,918,505	109,221,497	57,902,559

Trade payables are non-interest bearing and the normal trade credit terms granted to the Company is ninety (90) days.

14. TAXATION

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

Type of taxes	Tax basis and applicable rate
Land use right taxes	Applicable tax rate per square meter of land area determined by the tax authority.
VAT	Output VAT is 17% of product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable
Land appreciation tax	Appreciation amount in transferring property at applicable tax rate.

(b) Current tax liabilities

	2008 RMB	2007 RMB	2006 RMB
Corporate income tax	11,154,019	7,559,058	2,953,522
Value added tax	5,859,873	1,974,390	1,661,027
Others	58,599	19,744	16,610
	17,072,491	9,553,192	4,631,159

15. REVENUE

Revenue represents sales of goods.

16. PROFIT BEFORE TAX

	2008 RMB	2007 RMB	2006 RMB
Profit before tax is arrived at after charging:			
Amortisation of prepaid lease payments	110,000	110,000	64,167
Depreciation of property, plant and equipment	870,888	866,019	824,706
Rental of:			
- premises	2,040,600	2,040,600	2,040,600
- hostel	560,640	560,640	560,640
Research and development expenses	855,162	727,807	474,131
And crediting:			
Interest income	202,354	94,075	54,876

17. TAX EXPENSE

	2008 RMB	2007 RMB	2006 RMB
Current tax expense based on profit for the financial year	34,626,811	18,284,269	8,276,546

There are no differences between the statutory tax rates applicable to the Company and its average effective tax rate during the financial years, which are as follows:

	2008 %	2007 %	2006 %
Statutory / Average effective tax rate	25.00	24.00	24.00

On 16 March 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008. In the previous financial years, the Company enjoyed preferential tax rate of 24% and according to the New Tax Law, the standard enterprise tax rate applicable to the Company increased to 25% effective from 1 January 2008.

18. DIVIDENDS

Dividends:	% of dividend over paid-up capital	Total amount of dividend RMB
In respect of the financial year ended 31 December 2005 and approved by the equity holders in 2006	251.36%	21,365,502
In respect of the financial years ended 31 December 2006 and 2007 and approved by the equity holders in 2008	991.82%	84,304,907

19. EMPLOYEE BENEFITS

The total staff costs recognised in the income statement are as follows:

	2008 RMB	2007 RMB	2006 RMB
Salaries, wages and bonus	21,839,215	21,784,054	15,861,992
Contributions to defined contribution plan	2,032,610	1,612,400	1,125,200
	23,871,825	23,396,454	16,987,192

19. EMPLOYEE BENEFITS (continued)

Included in the employee benefits of the Company are Executive Director's remuneration as follows:

	2008 RMB	2007 RMB	2006 RMB
Directors' remunerations	218,500	176,200	131,850

20. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

Identities of related parties	Relationship with the Company
XinYuanChan	Holding company
Ding PengPeng	Director and the ultimate controlling party
Ding LiHong	Director of the Company
Ding JiaXing	Father of two of the Directors of the Company
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("HongPeng Footwear") XiDeLang Sports Goods	Companies in which Directors of the Company and Mr. Ding JiaXing have substantial financial interests

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

	2008 RMB	2007 RMB	2006 RMB
Rental paid to related parties	2,601,240	2,601,240	2,601,240

20. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

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

	2008 RMB	2007 RMB	2006 RMB
Short term employee benefits	1,033,785	844,760	625,530
Contributions to defined contribution plans	11,310	10,179	9,048
	1,045,095	854,939	634,578

21. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Company is exposed mainly to liquidity and cash flow risk and credit risk. Information on the management of the related exposures is detailed below.

(i) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks where the Company is unable to service its cash obligations in the future. To mitigate the risks, the management measures and forecasts its cash commitments and monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Company's activities.

(ii) Credit risk

Receivables may give rise to credit risk which requires the loss to be recognised if a counter party fail to perform as contracted. The Company extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history on an ongoing basis.

The Company's exposure to credit risk is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers.

The following shows the total amount due from the top eight (8) major customers as at balance sheet date, which represents more than 50% of the total trade receivables for each of the financial year. Other than as mentioned, the Company has no significant concentration of credit risk.

	2008 RMB	2007 RMB	2006 RMB
Trade receivables	86,438,842	75,264,290	33,224,544

21. FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheet.

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

(iii) Interest rate risk

As the Company's income and operating cash flows are substantially independent of changes in market interest rate, the Company does not use derivative financial instruments to hedge its risk. Short term receivables and payables are not exposed to interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

(b) Fair values

The carrying amounts of the financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

22. CAPITAL COMMITMENTS

	2008 RMB
Capital expenditure in respect of purchase of property, plant and equipment:	
Approved but not contracted for	10,000,000

23. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 21 October 2008, the Company became a wholly owned subsidiary of XinYuanChan following the XinYuanChan's acquisitions of 25% equity interests in the Company from XiDeLang Sports Goods and 75% equity interests in the Company from Yuen Cheng.

24. EVENTS AFTER THE BALANCE SHEET DATE

(i) Acquisitions of subsidiaries

On 30 April 2009, in conjunction with a proposed initial public offering ("IPO") in Malaysia involving the Company, the Company acquired the entire equity interests in HongPeng Footwear and XiDeLang Sports Goods from the existing equity holders of these companies for considerations of RMB37,000,000 and RMB36,000,000 respectively.

24. EVENTS AFTER THE BALANCE SHEET DATE (continued)

(i) Acquisitions of subsidiaries (continued)

Subsequent to the acquisitions above, the Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling parties before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate controlling parties that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a restructuring under common control in a manner similar to pooling of interest or merger. Accordingly, the disclosure of the information required by paragraph 67 of FRS 3 for the business combination above is not required as FRS 3 does not apply to business combinations involving entities or businesses under common control.

(ii) Dividend

On 10 May 2009, a dividend in respect of the financial year ended 31 December 2008 of RMB40,000,000 was approved by the equity holders of the Company. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2009.

(Prepared for inclusion in this Prospectus)

Company No:
3505822033161

FUJIAN PROVINCE JINJIANG CITY
CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2006, 2007 AND 2008

Company No:
3505822033161

FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

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FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

STATEMENT BY DIRECTOR

In the opinion of the Director, the financial statements set out on pages 4 to 30 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and of the results of the operations of the Company and of the cash flows of the Company for the respective financial years then ended.

....
Ding LiHong
Company's Legal Representative/Director

Jinjiang City, Peoples' Republic of China
22 MAY 2009

BDO

BDO Binder (AF 0206)
Chartered Accountants

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Website : www.bdobinder.com

**INDEPENDENT AUDITORS' REPORT
TO THE DIRECTOR OF
FUJIAN PROVINCE JINJIANG CITY
CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD.**

Report on the Financial Statements

We have audited the financial statements of Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd., which comprise the balance sheets as at 31 December 2006, 2007 and 2008 of the Company, and the income statements, statements of changes in equity and cash flow statements of the Company for the respective financial years then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 30.

Director's Responsibility for the Financial Statements

The Director of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and of the results of the operations of the Company and of the cash flows of the Company for the respective financial years then ended.

Other matters

The abovementioned financial statements of the Company are prepared solely for the Director of the Company for the purpose of submissions to Securities Commission ("SC") and the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia ("IPO") involving the Company and are not to be used in whole or in part for any other purposes. We do not assume responsibility to any other person for the content of this report.

BDO Binder

BDO Binder
AF : 0206
Chartered Accountants

Kuala Lumpur
22 May 2009

Company No:
3505822033161

FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

BALANCE SHEETS
AS AT 31 DECEMBER 2006, 2007 AND 2008

	Note	2008 RMB	2007 RMB	2006 RMB
ASSETS				
Non-current assets				
Property, plant and equipment	7	522,465	609,504	696,543
Prepaid lease payments for land	8	26,209,041	26,750,771	975,001
		26,731,506	27,360,275	1,671,544
Current assets				
Inventories	9	5,837,212	7,799,408	9,057,166
Trade and other receivables	10	53,034,561	20,223,497	19,274,483
Current tax assets	11(b)	246,328	376,820	498,927
Cash and cash equivalents	12	6,746,007	4,962,284	2,605,974
		65,864,108	33,362,009	31,436,550
TOTAL ASSETS		92,595,614	60,722,284	33,108,094
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Capital	13	37,000,000	37,000,000	10,800,000
Reserves	14	3,718,875	4,456,040	3,969,110
TOTAL EQUITY		40,718,875	41,456,040	14,769,110
LIABILITIES				
Current liabilities				
Trade and other payables	15	7,698,137	3,441,104	4,448,120
Borrowings	16	43,800,000	15,800,000	13,800,000
Current tax liabilities	11(b)	378,602	25,140	90,864
		51,876,739	19,266,244	18,338,984
TOTAL EQUITY AND LIABILITIES		92,595,614	60,722,284	33,108,094

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

FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Note	2008 RMB	2007 RMB	2006 RMB
Revenue	17	36,276,868	34,803,843	43,195,012
Cost of sales		(33,248,116)	(31,123,778)	(37,008,616)
Gross profit		3,028,752	3,680,065	6,186,396
Other income		41,376	59,561	185,141
Distribution costs		(61,849)	(1,215,646)	(3,719,680)
Administrative and other expenses		(2,260,227)	(1,066,427)	(942,254)
Finance costs		(1,379,394)	(721,678)	(696,474)
(Loss)/Profit before tax	18	(631,342)	735,875	1,013,129
Tax expense	19	(105,823)	(248,945)	(400,333)
Net (loss)/profit for the financial year		(737,165)	486,930	612,796

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

Company No:
3505822033161

FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Capital RMB	*Non-distributable* Statutory surplus reserves RMB	*Distributable* Retained earnings RMB	Total equity RMB
Balance as at 31 December 2005	10,800,000	335,631	3,020,683	14,156,314
Net profit for the financial year, representing total recognised income and expense for the financial year	-	-	612,796	612,796
Transfer to statutory surplus reserve	-	61,280	(61,280)	-
Balance as at 31 December 2006	10,800,000	396,911	3,572,199	14,769,110
Net profit for the financial year, representing total recognised income and expense for the financial year	-	-	486,930	486,930
Transfer to statutory surplus reserve		48,693	(48,693)	-
Increased of paid-up capital	26,200,000	-	-	26,200,000
Balance as at 31 December 2007	37,000,000	445,604	4,010,436	41,456,040
Net loss for the financial year, representing total recognised income and expense for the financial year	-	-	(737,165)	(737,165)
Balance as at 31 December 2008	37,000,000	445,604	3,273,271	40,718,875

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

Company No: 3505822033161

FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Note	2008 RMB	2007 RMB	2006 RMB
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax		(631,342)	735,875	1,013,129
Adjustments for:				
Amortisation of prepaid lease payments	8	541,730	324,230	11,509
Allowance for doubtful debts		492,527	-	200,000
Bad debts written off		1,259	-	-
Depreciation of property, plant and equipment	7	87,039	87,039	87,039
Interest expense		1,379,394	721,678	696,474
Interest income		(28,376)	(59,561)	(92,741)
Operating profit before working capital changes		1,842,231	1,809,261	1,915,410
Decrease/(increase) in inventories		1,962,196	1,257,758	(3,400,249)
(Increase)/decrease in trade and other receivables		(2,924,850)	1,660,986	(4,795,733)
Increase/(decrease) in trade and other payables		4,268,250	(778,731)	(2,935,504)
Cash generated from /(used in)operations		5,147,827	3,949,274	(9,216,076)
Corporate income tax paid		(262,991)	(420,847)	(472,522)
Net cash from /(used in) operating activities		4,884,836	3,528,427	(9,688,598)
CASH FLOWS FROM INVESTING ACTIVITIES				
Placements of deposits pledged to bank		(14,173)	(28,756)	(2,103,911)
(Advances to)/repayments from other receivables		(30,380,000)	(2,610,000)	3,360,000
Interest received		28,376	59,561	92,741
Acquisition of prepaid lease payments for land	8	-	(26,100,000)	(986,510)
Net cash (used in)/from investing activities		(30,365,797)	(28,679,195)	362,320
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(1,379,394)	(721,678)	(696,474)
Advances from other payables		629,905	-	-
Draw down of borrowings		28,000,000	2,000,000	4,000,000
Proceeds arising from increased of paid-up capital	13	-	26,200,000	-
Net cash from financing activities		27,250,511	27,478,322	3,303,526
Net increase/(decrease) in cash and cash equivalents		1,769,550	2,327,554	(6,022,752)
Cash and cash equivalents at beginning of financial year		2,829,617	502,063	6,524,815
Cash and cash equivalents at end of financial year	12	4,599,167	2,829,617	502,063

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

FUJIAN PROVINCE JINJIANG CITY

CHENDAI HONGPENG FOOTWEAR MANUFACTURING CO., LTD. (3505822033161)

(Incorporated in the Peoples' Republic of China)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006, 2007 AND 2008

1. CORPORATE INFORMATION

The Company (福建省晋江市陈埭鸿鹏制鞋有限公司) was incorporated and domiciled in the Peoples' Republic of China (the "PRC") as a limited liability enterprise, under the PRC Law governing establishment of a limited liability enterprise.

The principal place of business of the Company is located at No. 102 Xing Zhen North Road, Hua Ting Kou Village, Chendai Town, Jinjiang City, Fujian Province, the Peoples' Republic of China.

The financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Director on 22 May 2009.

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

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the design, manufacturing and marketing of sports shoes. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Company for the financial years ended 31 December 2006, 2007 and 2008 have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Property, plant and equipment and depreciation

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

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

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

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

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

Plant and machinery	10%
Other equipment	20%

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.4 to the financial statements on impairment of non-financial assets).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Leases of land

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risk and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront payments made on entering into or acquiring leasehold land are accounted for as prepaid lease payments and are amortised over the lease term on a straight line basis.

4.4 Impairment of non-financial assets

The carrying amounts of non-financial assets, except for inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

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

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

Such reversals are recognised as income immediately in the profit or loss.

4.5 Inventories

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments

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

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

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

4.6.1 Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheets when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(a) Receivables

Trade and other receivables, including amounts owing by related parties, are classified as loans and receivables under FRS 132 Financial Instruments: Disclosure and Presentation.

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowances are made for any debts which are considered doubtful of collection.

Receivables are not held for trading purposes. For the receivables that are factored out to financial institutions with recourse term, the corresponding payment from the financial institutions is recognised as liability and any fee incurred to effect the factoring is recognised as an expense in the period in which the factoring takes place.

(b) Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(c) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties are initially recognised and subsequently measured at the consideration to be paid in the future for goods and services received.

(d) Equity instruments

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in paid-up capital and capital reserve.

Dividends to equity holders are recognised in equity in the period in which they are declared.

(e) Interest bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

4.6.2 Financial instruments not recognised on the balance sheets

There are no financial instruments not recognised on the balance sheets.

4.7 Borrowing costs

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

4.8 Taxation

(a) Income taxes

Income taxes include all domestic taxes on taxable profit.

Taxes in the income statement comprise current tax and deferred tax.

(i) Current tax

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Taxation (continued)

(a) Income taxes (continued)

(ii) Deferred tax

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

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

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

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

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

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

(b) Other taxes

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

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

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Taxation (continued)

(b) Other taxes (continued)

Land use right tax and other taxes are recognised in the administration and other expenses of the income statements.

4.9 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

4.10 Contingent liabilities and contingent assets

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

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

4.11 Employee benefits

4.11.1 Short term employee benefits

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Employee benefits (continued)

4.11.1 Short term employee benefits (continued)

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

4.11.2 Defined contribution plan

The Company makes contributions to statutory social security schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.12 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and presentation currency.

4.13 Revenue recognition

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

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

(a) Sale of goods

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

(b) Interest income

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

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS

5.1 New FRSs and amendments to FRSs adopted

(a) The Company has adopted all the following FRSs and amendments to FRSs that were effective on or before 1 January 2008 for the preparation of the financial statements for the financial years ended 31 December 2006, 2007 and 2008.

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

5.1 New FRSs and amendments to FRSs adopted (continued)

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 114_{2004}	Segment Reporting
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
Amendment to FRS 119_{2004}	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 123_{2004}	Borrowing Costs
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

IC Interpretation 107	Introduction of the Euro
IC Interpretation 110	Government Assistance - No Specific Relation to Operating Activities
IC Interpretation 112	Consolidation - Special Purpose Entities
IC Interpretation 113	Jointly Controlled Entities - Non Monetary Contributions by Ventures
IC Interpretation 115	Operating Leases - Incentives
IC Interpretation 121	Income Taxes - Recovery of Revalued Non-Depreciable Assets
IC Interpretation 125	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

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

5.1 New FRSs and amendments to FRSs adopted (continued)

IC Interpretation 129	Disclosure - Service Concession Arrangements
IC Interpretation 131	Reserve - Barter Transactions Involving Advertising Transactions
IC Interpretation 132	Intangible Assets - Web Site Costs
IC Interpretation 201	Preliminary and Pre-operating Expenditure
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising From Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

FRS 2, FRS 3, FRS 5, FRS 6, FRS 111, FRS 114_{2004}, Amendment to FRS 119_{2004}, FRS 120, Amendment to FRS 121, FRS 127, FRS 128, FRS 131, FRS 133, FRS 134, FRS 138 and abovementioned IC Interpretations are not relevant to the Company's operations.

The adoption of the above FRSs and IC Interpretations did not result in changes to the Company's accounting policies and did not materially affect the net profit of the Company for the financial years ended 31 December 2006, 2007 and 2008.

(b) Framework for the Preparation and Presentation of Financial Statements ("Framework")

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a Malaysian Accounting Standard Board's approved FRS as defined in paragraph 11 of FRS 101 Presentation of Financial Statements and hence, does not define standards for any particular measurement or disclosure issue.

5.2 New FRSs and IC Interpretations not adopted

(a) FRS 8 Operating Segments and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers. The requirements of this standard are based on the information about the components of the entity that management uses to make decisions about operating matters. The standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The standard also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information for prior years that is reported as comparative information for the initial year of application would be restated to conform to the requirements of this standard.

FRS 8 is not relevant to the Company's financial statements.

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

5.2 New FRSs and IC Interpretations not adopted (continued)

(b) FRS 4 Insurance Contracts and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202_{2004} General Insurance Business and FRS 203_{2004} Life Insurance Business.

The standard applies to all insurance to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. The standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. The standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

FRS 4 is not relevant to the Company's financial statements.

(c) FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation.

The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(d) FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

(e) IC Interpretation 9 Reassessment of Embedded Derivatives is mandatory or annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms if the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

IC Interpretation 9 is not relevant to the Company's financial statements.

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

5.2 New FRSs and IC Interpretations not adopted (continued)

(f) IC Interpretation 10 Interim Financial Reporting and Impairment is mandatory or annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The Company does not expect any impact on the consolidated financial statements arising from the adoption of this Interpretation in the future.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have significant effect on the amount recognised in these financial statements.

6.2 Key sources of estimation uncertainty

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

(a) Impairments

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

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

(b) Depreciation and amortisation

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Key sources of estimation uncertainty (continued)

(c) Contingent liabilities

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

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB	Other equipment RMB	Total RMB
Carrying amount			
At 1 January 2006	762,210	21,372	783,582
Depreciation charge for the year	(81,423)	(5,616)	(87,039)
At 31 December 2006 and 1 January 2007	680,787	15,756	696,543
Depreciation charge for the year	(81,423)	(5,616)	(87,039)
At 31 December 2007 and 1 January 2008	599,364	10,140	609,504
Depreciation charge for the year	(81,423)	(5,616)	(87,039)
At 31 December 2008	517,941	4,524	522,465

	Plant and machinery RMB	Other equipment RMB	Total RMB
At 31 December 2006			
Cost	904,700	31,200	935,900
Accumulated depreciation	(223,913)	(15,444)	(239,357)
Carrying amount	680,787	15,756	696,543
At 31 December 2007			
Cost	904,700	31,200	935,900
Accumulated depreciation	(305,336)	(21,060)	(326,396)
Carrying amount	599,364	10,140	609,504
At 31 December 2008			
Cost	904,700	31,200	935,900
Accumulated depreciation	(386,759)	(26,676)	(413,435)
Carrying amount	517,941	4,524	522,465

8. PREPAID LEASE PAYMENTS FOR LAND

	2008 RMB	2007 RMB	2006 RMB
Carrying amount			
At 1 January	26,750,771	975,001	-
Additions	-	26,100,000	986,510
Amortisation charge for the year	(541,730)	(324,230)	(11,509)
At 31 December	26,209,041	26,750,771	975,001
Cost	27,086,510	27,086,510	986,510
Accumulated amortisation	(877,469)	(335,739)	(11,509)
Carrying amount	26,209,041	26,750,771	975,001

The prepaid lease payments for land represent land use rights situated in the PRC. The Company is granted land use rights for a period of 50 years.

A prepaid lease payments for land has been charged to a licensed bank for the banking facilities granted to the Company (Note 16(a)).

9. INVENTORIES

	2008 RMB	2007 RMB	2006 RMB
At cost			
Raw materials	4,748,028	4,984,736	7,133,992
Work in progress	373,470	470,928	478,350
Finished goods	715,714	2,343,744	1,444,824
	5,837,212	7,799,408	9,057,166

10. TRADE AND OTHER RECEIVABLES

	2008 RMB	2007 RMB	2006 RMB
Trade receivables			
Third parties	8,111,705	3,682,321	7,365,037
Less: Allowance for doubtful debts	(196,527)	-	-
	7,915,178	3,682,321	7,365,037
Other receivables			
Third parties	2,554,630	4,060,423	2,038,693
A related party	-	100,000	-
An equity holder	43,060,753	12,580,753	10,070,753
	45,615,383	16,741,176	12,109,446
Less: Allowance for doubtful debts	(496,000)	(200,000)	(200,000)
	45,119,383	16,541,176	11,909,446
	53,034,561	20,223,497	19,274,483

10. TRADE AND OTHER RECEIVABLES (continued)

(i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Company is ninety (90) days.

(ii) Amounts owing by a related party and an equity holder represent advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

11. TAXATION

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

Type of taxes	Tax basis and applicable rate
Land use right tax	Applicable tax rate per square meter of land area determined by the tax authority.
VAT	Output VAT is 17% of product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.
Land appreciation tax	Appreciation amount in transferring property at applicable tax rate.

(b) Current tax assets and current tax liabilities

	2008 RMB	2007 RMB	2006 RMB
Current tax assets			
Value added tax recoverable	-	287,660	498,927
Corporate income tax recoverable	246,328	89,160	-
	246,328	376,820	498,927
Current tax liabilities			
Value added tax payable	123,317	-	-
Corporate income tax payable	-	-	82,742
Land use right tax payable	237,013	18,505	-
Others	18,272	6,635	8,122
	378,602	25,140	90,864

12. CASH AND CASH EQUIVALENTS

	2008 RMB	2007 RMB	2006 RMB
Cash and bank balances	4,599,167	2,829,617	502,063
Deposits with licensed banks	2,146,840	2,132,667	2,103,911
As per balance sheet	6,746,007	4,962,284	2,605,974
Less: Deposits (Note (a) below)	(2,146,840)	(2,132,667)	(2,103,911)
	4,599,167	2,829,617	502,063

(a) Deposits with licensed bank represent guarantee deposit pledged for bankers' acceptance facilities granted to the Company (Note 16(b)).

(b) Information on financial risks of cash and cash equivalents are disclosed in Note 23 to the financial statements.

13. CAPITAL

	2008 RMB	2007 RMB	2006 RMB
Registered:			
Balance at 1 January	37,000,000	10,800,000	10,800,000
Created during the year	-	26,200,000	-
Balance at 31December	37,000,000	37,000,000	10,800,000
Paid-up:			
Balance at 1 January	37,000,000	10,800,000	10,800,000
Increased during the year	-	26,200,000	-
Balance at 31 December	37,000,000	37,000,000	10,800,000

During the financial year ended 31 December 2007, the Company had:-

(i) increased its registered capital from RMB10,800,000 to RMB37,000,000 by the creation of an additional RMB26,200,000 capital; and

(ii) increased its paid-up capital from RMB10,800,000 to RMB37,000,000 by the increase of RMB26,200,000 capital for cash for working capital purposes.

14. RESERVES

	2008 RMB	2007 RMB	2006 RMB
Non-distributable:			
Statutory surplus reserve	445,604	445,604	396,911
Distributable:			
Retained earnings	3,273,271	4,010,436	3,572,199
	3,718,875	4,456,040	3,969,110

(a) Statutory surplus reserve

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

(b) Retained earnings

The Company can frank the payment of net dividends out of its entire distributable retained earnings as at 31 December 2008 without incurring any additional liabilities.

15. TRADE AND OTHER PAYABLES

	2008 RMB	2007 RMB	2006 RMB
Trade payables	6,398,949	2,123,619	2,980,000
Other payables	786,980	937,115	959,240
Accruals	512,208	380,370	508,880
	7,698,137	3,441,104	4,448,120

(i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Company is ninety (90) days.

(ii) Included in the other payables in 2008 is an amount of RMB629,905 owing to a related party, which represents advances and payments made on behalf and are unsecured, interest-free and repayable on demand.

16. BORROWINGS

	2008 RMB	2007 RMB	2006 RMB
Secured			
Short term bank loans (Note (a) below)	20,000,000	-	-
Recourse factoring	8,500,000	-	-
Banker's acceptance (Note (b) below)	7,000,000	7,000,000	7,000,000
	35,500,000	7,000,000	7,000,000
Unsecured			
Short term bank loans (Note (c) below)	8,300,000	8,800,000	6,800,000
	43,800,000	15,800,000	13,800,000

(a) The short term bank loans are secured by the following:-

(i) short term loan of RMB10,000,000 in 2008 is secured by a legal charge over prepaid lease payments for land by a related party; and

(ii) short term loan of RMB10,000,000 in 2008 is secured by a legal charge over prepaid lease payments for land of the Company.

(b) The banker's acceptance is guaranteed by a third party corporation and is secured by:

(i) the deposits pledged to the bank (Note 12(a)); and

(ii) A negative pledge on the assets of the Company;

(c) The unsecured short term loans are jointly guaranteed by the Company's legal representative, a third party corporation and a third party individual.

Information on financial risks of borrowings is disclosed in Note 23 to the financial statements.

17. REVENUE

Revenue represents sales of goods.

18. (LOSS)/PROFIT BEFORE TAX

	2008 RMB	2007 RMB	2006 RMB
(Loss)/profit before tax is arrived at after charging:			
Amortisation of prepaid lease payments	541,730	324,230	11,509
Allowance for doubtful debts	492,527	-	200,000
Bad debts written off	1,259	-	-
Depreciation of property, plant and equipment	87,039	87,039	87,039
Interest expense on bank borrowings	1,379,394	721,678	696,474
Land use right tax	218,508	18,505	-
Rental of premises	20,000	20,000	20,000
And crediting:			
Interest income	28,376	59,561	92,741

19. TAX EXPENSE

	2008 RMB	2007 RMB	2006 RMB
Current tax expense based on the profit for the financial year:-			
- Corporate income tax	105,823	248,945	400,333

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

	2008 RMB	2007 RMB	2006 RMB
(Loss)/profit before tax	(631,342)	735,875	1,013,129
Tax at PRC statutory tax rate at 25% (2007 and 2006: 33%)	(157,835)	242,839	334,333
Tax effect in respect of:			
Non-allowable expenses	140,527	6,106	-
Deferred tax assets not recognised	123,131	-	66,000
	105,823	248,945	400,333

On 16 March 2007, the National Peoples' Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008. According to the New Tax Law, the standard enterprise tax rate for enterprises in PRC would be reduced from 33% to 25%.

20. DEFERRED TAX ASSET

The amount of temporary differences for which no deferred tax asset has been recognised in the balance sheets is as follows:

	2008 RMB	2007 RMB	2006 RMB
Allowance for doubtful debts	692,527	200,000	200,000

Deferred tax asset of the Company has not been recognised in respect of this item as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

21. EMPLOYEE BENEFITS

The total staff costs recognised in the income statement are as follows:

	2008 RMB	2007 RMB	2006 RMB
Salaries, wages and bonus	4,033,788	4,407,426	4,518,316
Social security	43,368	42,022	16,820
	4,077,156	4,449,448	4,535,136

22. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

Identities of related parties	**Relationship with the Company**
Ding LiHong	Equity holder, Company's legal representative and Director
Ding JiaXing	Equity holder
Fujian Province Jinjiang City XiDeLang Sports Goods Co., Ltd.	Company in which Mr. Ding JiaXing and his family member have substantial financial interests

22. RELATED PARTY DISCLOSURES (continued)

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

	2008 RMB	2007 RMB	2006 RMB
Corporate guarantee given by a related party to bank for credit facilities granted to the Company	-	-	800,000
Corporate guarantee given to a bank in respect of the banking facilities granted to a related party	-	-	700,000
A prepaid lease payments for land of a related party pledged to a bank for banking facilities granted to the Company	10,000,000	-	-

23. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Company is exposed mainly to interest rate risk, liquidity and cash flow risk and credit risk. Information on the management of the related exposures is detailed below.

(i) Interest rate risk

Interest rate exposure arises from the Company's borrowings mainly through the use of fixed and floating rate debts. As the Company's income and operating cash flows are substantially independent of changes in market interest rate, the Company does not use derivative financial instruments to hedge its risk. Short term receivables and payables are not exposed to interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

The following tables set out the carrying amounts, the effective interest rates as at the balance sheet date of Company's financial assets and financial liabilities that are exposed to interest rate risk and the periods in which they mature, or if earlier, reprice.

23. FINANCIAL INSTRUMENTS (continued)

(i) Interest rate risk (continued)

	Note	Effective interest rate %	Within 1 year RMB	1 – 2 years RMB	2 – 5 years RMB	Over 5 years RMB	Total RMB
At 31 December 2006							
Fixed rate instruments							
Short term loans	16	7.96-8.78	(6,800,000)	-	-	-	(6,800,000)
Banker's acceptance	16	-	(7,000,000)	-	-	-	(7,000,000)
Deposits with a licensed bank	12	0.654	2,103,911	-	-	-	2,103,911
At 31 December 2007							
Fixed rate instruments							
Short term loans	16	8.54-9.48	(8,800,000)	-	-	-	(8,800,000)
Banker's acceptance	16	-	(7,000,000)	-	-	-	(7,000,000)
Deposits with a licensed bank	12	0.695	2,132,667	-	-	-	2,132,667
At 31 December 2008							
Fixed rate instruments							
Short term loans	16	5.84-9.71	(28,300,000)	-	-	-	(28,300,000)
Banker's acceptance	16	-	(7,000,000)	-	-	-	(7,000,000)
Deposits with a licensed bank	12	0.662	2,146,840	-	-	-	2,146,840
Floating rate instruments							
Recourse factoring	16	5.84	(8,500,000)	-	-	-	(8,500,000)

(ii) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks where the Company is unable to service its cash obligations in the future. To mitigate the risks, the management measures and forecasts its cash commitments and monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Company's activities.

(iii) Credit risk

As at 31 December 2008, the Company has no significant concentration of credit risk except for amounts owing by an equity holder of RMB43,060,753 (2007: RMB12,580,753, and 2006: RMB10,070,753). The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheet.

In respect of the cash and bank balances placed with major financial institutions in the PRC, the management believes that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

(b) Fair values

The carrying amounts of the financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

24. CAPITAL COMMITMENTS

	2008 RMB
Capital expenditure in respect of construction of factories and staff quarters:	
Contracted but not provided for	75,000,000

25. EVENT AFTER THE BALANCE SHEET DATE

On 30 April 2009, in conjunction with a proposed initial public offering ("IPO") in Malaysia involving the Company, HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HongPeng (Fujian)") acquired the entire equity interests of the Company from the Company's existing equity holders and the Company became the wholly owned subsidiary of HongPeng (Fujian).

26. CONTINGENT LIABILTIES - UNSECURED

	2008 RMB	2007 RMB	2006 RMB
Corporate guarantee in respect of the banking facilities granted to a related party	-	-	700,000
Corporate guarantee in respect of the banking facilities granted to third parties	5,900,000	5,900,000	4,900,000

(Prepared for inclusion in this Prospectus)

Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

REPORT AND AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2006, 2007 AND 2008

Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

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Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

STATEMENT BY DIRECTOR

In the opinion of the Director, the financial statements set out on pages 4 to 32 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Economic Entity and of the Company as at 31 December 2006, 2007 and 2008 and of the results of the operations of the Economic Entity and of the Company and of the cash flows of the Economic Entity and of the Company for the respective financial years then ended.

....
Ding PengPeng
Company Legal Representative/Director

Jinjiang City, Peoples' Republic of China

22 MAY 2009

BDO

BDO Binder (AF 0206)
Chartered Accountants

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur Malaysia
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Website : www.bdobinder.com

INDEPENDENT AUDITORS' REPORT
TO THE DIRECTOR OF FUJIAN PROVINCE JINJIANG CITY XIDELANG SPORTS GOODS CO., LTD.

Report on the Financial Statements

We have audited the financial statements of Fujian Province Jinjiang City XiDeLang Sports Goods Co., Ltd., which comprise the balance sheets as at 31 December 2006, 2007 and 2008 of the Economic Entity and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Economic Entity and of the Company for the respective financial years then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 32.

Director's Responsibility for the Financial Statements

The Director of the Economic Entity and of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Company No:
350582100074172

BDO

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Economic Entity and of the Company as at 31 December 2006, 2007 and 2008 and of the results of the operations of the Economic Entity and of the Company and of the cash flows of the Economic Entity and of the Company for the respective financial years then ended.

Other matters

The abovementioned financial statements of the Economic Entity and of the Company are prepared solely for the Director of the Economic Entity and of the Company for the purpose of submissions to Securities Commission ("SC") and the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia ("IPO") involving the of the Economic Entity and Company and are not to be used in whole or in part for any other purposes. We do not assume responsibility to any other person for the content of this report.

BDO Binder

BDO Binder
AF : 0206
Chartered Accountants

Kuala Lumpur
22 May 2009

Company No:
350582100074172

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FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

BALANCE SHEETS
AS AT 31 DECEMBER 2006, 2007 AND 2008

		Economic Entity		
		2008	**2007**	**2006**
	Note	**RMB**	**RMB**	**RMB**
ASSETS				
Non-current assets				
Prepaid lease payments for land	7	27,425,450	27,990,923	-
Investment in an associate	8	-	24,391,091	9,916,045
		27,425,450	52,382,014	9,916,045
Current assets				
Other receivables	9	52,405,520	29,556,727	24,323,327
Cash and bank balances		3,766,733	5,026,850	33,474
		56,172,253	34,583,577	24,356,801
TOTAL ASSETS		83,597,703	86,965,591	34,272,846
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Capital	10	36,000,000	36,000,000	9,900,000
Reserves	11	27,326,077	30,801,331	17,320,106
TOTAL EQUITY		63,326,077	66,801,331	27,220,106
LIABILITIES				
Current liabilities				
Other payable	12	-	100,000	-
Borrowings	13	18,700,000	18,700,000	5,700,000
Current tax liabilities	14(b)	1,571,626	1,364,260	1,352,740
		20,271,626	20,164,260	7,052,740
TOTAL EQUITY AND LIABILITIES		83,597,703	86,965,591	34,272,846

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

Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

BALANCE SHEETS
AS AT 31 DECEMBER 2006, 2007 AND 2008

		Company		
	Note	2008 RMB	2007 RMB	2006 RMB
ASSETS				
Non-current assets				
Prepaid lease payments for land	7	27,425,450	27,990,923	-
Investment in an associate	8	-	2,125,000	2,125,000
		27,425,450	30,115,923	2,125,000
Current assets				
Other receivables	9	52,405,520	29,556,727	24,323,327
Cash and bank balances		3,766,733	5,026,850	33,474
		56,172,253	34,583,577	24,356,801
TOTAL ASSETS		83,597,703	64,699,500	26,481,801
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Capital	10	36,000,000	36,000,000	9,900,000
Reserves	11	27,326,077	8,535,240	9,529,061
TOTAL EQUITY		63,326,077	44,535,240	19,429,061
LIABILITIES				
Current liabilities				
Other payable	12	-	100,000	-
Borrowings	13	18,700,000	18,700,000	5,700,000
Current tax liabilities	14(b)	1,571,626	1,364,260	1,352,740
		20,271,626	20,164,260	7,052,740
TOTAL EQUITY AND LIABILITIES		83,597,703	64,699,500	26,481,801

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

Company No:
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FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

			Economic Entity	
	Note	**2008 RMB**	**2007 RMB**	**2006 RMB**
Revenue		-	-	-
Administrative and other expenses		(21,814,045)	(294,257)	-
Finance costs		(1,492,851)	(699,564)	(356,290)
Share of profit in an associate		19,831,642	14,475,046	6,552,266
(Loss)/Profit before tax	16	(3,475,254)	13,481,225	6,195,976
Tax expense	17	-	-	(632,531)
Net (loss)/profit for the financial year		(3,475,254)	13,481,225	5,563,445

			Company	
	Note	**2008 RMB**	**2007 RMB**	**2006 RMB**
Revenue	15	21,076,227	-	5,341,375
Administrative and other expenses		(792,539)	(294,257)	-
Finance costs		(1,492,851)	(699,564)	(356,290)
Profit/(Loss) before tax	16	18,790,837	(993,821)	4,985,085
Tax expense	17	-	-	(632,531)
Net profit/(loss) for the financial year		18,790,837	(993,821)	4,352,554

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

Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

		Economic Entity			
			Non-distributable	*Distributable*	
	Note	Capital RMB	Statutory surplus reserve RMB	Retained earnings RMB	Total equity RMB
Balance as at 31 December 2005		9,900,000	517,651	11,239,010	21,656,661
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	5,563,445	5,563,445
Transfer to statutory surplus reserve		-	435,255	(435,255)	-
Balance as at 31 December 2006		9,900,000	952,906	16,367,200	27,220,106
Increase of paid-up capital	10	26,100,000	-	-	26,100,000
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	13,481,225	13,481,225
Balance as at 31 December 2007		36,000,000	952,906	29,848,425	66,801,331
Net loss for the financial year, representing total recognised income and expense for the financial year		-	-	(3,475,254)	(3,475,254)
Transfer to statutory surplus reserve		-	1,879,084	(1,879,084)	-
Balance as at 31 December 2008		36,000,000	2,831,990	24,494,087	63,326,077

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

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

		Company			
			Non-distributable	*Distributable*	
	Note	Capital RMB	Statutory surplus reserve RMB	Retained earnings RMB	Total equity RMB
Balance as at 31 December 2005		9,900,000	517,651	4,658,856	15,076,507
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	4,352,554	4,352,554
Transfer to statutory surplus reserve		-	435,255	(435,255)	-
Balance as at 31 December 2006		9,900,000	952,906	8,576,155	19,429,061
Increase of paid-up capital	10	26,100,000	-	-	26,100,000
Net loss for the financial year, representing total recognised income and expense for the financial year		-	-	(993,821)	(993,821)
Balance as at 31 December 2007		36,000,000	952,906	7,582,334	44,535,240
Net profit for the financial year, representing total recognised income and expense for the financial year		-	-	18,790,837	18,790,837
Transfer to statutory surplus reserve		-	1,879,084	(1,879,084)	-
Balance as at 31 December 2008		36,000,000	2,831,990	24,494,087	63,326,077

The accompanying notes form an integral part of the financial statements

Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Economic Entity		
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax	(3,475,254)	13,481,225	6,195,976
Adjustments for:			
Amortisation of prepaid lease payments for land (Note 7)	565,473	282,737	-
Share of profit of associate	(19,831,642)	(14,475,046)	(6,552,266)
Loss on disposal of an associate	21,021,506	-	-
Interest expense	1,492,851	699,564	356,290
Operating loss before working capital changes	(227,066)	(11,520)	-
Increase/(Decrease) in other payables	107,366	111,520	(112,995)
Net cash (used in)/from operating activities	(119,700)	100,000	(112,995)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayments from/(advances to) other receivables	352,434	(5,233,400)	(2,559,893)
Acquisition of prepaid lease payments for land (Note 7)	-	(28,273,660)	-
Net cash from/(used in) investing activities	352,434	(33,507,060)	(2,559,893)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(1,492,851)	(699,564)	(356,290)
Draw down of borrowings	-	13,000,000	3,000,000
Proceeds from increase of paid-up capital (Note 10)	-	26,100,000	-
Net cash (used in)/from financing activities	(1,492,851)	38,400,436	2,643,710
Net (decrease)/ increase in cash and cash equivalents	(1,260,117)	4,993,376	(29,178)
Cash and cash equivalents at beginning of financial year	5,026,850	33,474	62,652
Cash and cash equivalents at end of financial year	3,766,733	5,026,850	33,474

Cash and cash equivalents represent cash and bank balances.

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

Company No:
350582100074172

FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

		Company	
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax	18,790,837	(993,821)	4,985,085
Adjustments for:			
Amortisation of prepaid lease payments for land (Note 7)	565,473	282,737	-
Dividend income	(21,076,227)	-	(5,341,375)
Interest expense	1,492,851	699,564	356,290
Operating loss before working capital changes	(227,066)	(11,520)	-
Increase/(Decrease) in other payables	107,366	111,520	(112,995)
Net cash (used in)/from operating activities	(119,700)	100,000	(112,995)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayments from/(advances to) other receivables	352,434	(5,233,400)	(2,559,893)
Acquisition of prepaid lease payments for land (Note 7)	-	(28,273,660)	-
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Company No:
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FUJIAN PROVINCE JINJIANG CITY

XIDELANG SPORTS GOODS CO., LTD. (350582100074172)

(Incorporated in the Peoples' Republic of China)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006, 2007 AND 2008

1. CORPORATE INFORMATION

The Company (福建省晋江市喜得狼体育用品有限公司) was incorporated and domiciled in the Peoples' Republic of China (the "PRC") as a limited liability enterprise, under the PRC Law governing establishment of a limited liability enterprise.

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

The financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Director on 22 May 2009.

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

2. PRINCIPAL ACTIVITIES

The Company's registered scope of business under its business license is the manufacturing of shoes and apparels. Since its incorporation and up to the date of these financial statements, the Company has not engaged in any manufacturing activity. However, it is the owner of the proprietary 'XiDeLang' brand.

3. BASIS OF PREPARATION

The financial statements of the Economic Entity and of the Company for the financial years ended 31 December 2006, 2007 and 2008 have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Economic Entity comprise the Company's operations ("Company") and the Company's interest in its associate (together referred to as the Economic Entity).

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

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

4.2 Leases of land

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risk and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront payments made on entering into or acquiring leasehold land are accounted for as prepaid lease payments and are amortised over the lease term on a straight line basis.

4.3 Investments in associates

An associate is an entity over which the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the financial statements of the Economic Entity using the equity method of accounting. The investment in associate in the balance sheet is initially recognised at cost and adjusted thereafter for the post acquisition change in the Economic Entity's share of net assets of the investments.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Economic Entity's net interest in the associate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Investments in associates (continued)

The Economic Entity's share of the profit or loss of the associate during the financial year is included in the Economic Entity's financial statements, after adjustments to align the accounting policies with those of the Economic Entity, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Economic Entity's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Economic Entity's share of those changes is recognised directly in equity of the Economic Entity.

Unrealised gains and losses on transactions between the Economic Entity and the associate are eliminated to the extent of the Economic Entity's interest in the associate.

When the Economic Entity's share of losses in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Economic Entity does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Economic Entity in applying the equity method. When the reporting dates of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in reporting dates is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening period.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.4 Impairment of non-financial assets

The carrying amount of assets except for financial assets (the financial assets in this context do not include investment in an associate) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Impairment of non-financial assets (continued)

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

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

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

Such reversals are recognised as income immediately in the profit and loss.

4.5 Financial instruments

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

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

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

4.5.1 Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheets when the Economic Entity and the Company have become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Economic Entity and the Company have a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial instruments (continued)

4.5.1 Financial instruments recognised on the balance sheets (continued)

(a) Receivables

Other receivables, including amounts owing by related parties, are classified as loans and receivables under FRS 132 Financial Instruments: Disclosure and Presentation.

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowances are made for any debts which are considered doubtful of collection.

Receivables are not held for trading purposes.

(b) Cash and cash equivalents

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

(c) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties are initially recognised and subsequently measured at the consideration to be paid in the future for goods and services received.

(d) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(e) Equity instruments

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Economic Entity and the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in paid-up capital (or share capital) and capital reserve.

Dividends to shareholders are recognised in equity in the period in which they are declared.

4.5.2 Financial instruments not recognised on the balance sheets

There are no financial instruments not recognised on the balance sheets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Borrowing costs

All borrowing costs are recognised in profit or loss account in the period in which they are incurred.

4.7 Taxation

(a) Income taxes

Income taxes include all domestic taxes on taxable profit.

Taxes in the profit and loss comprise current tax and deferred tax.

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Taxation (continued)

(a) Income taxes (continued)

(ii) Deferred tax (continued)

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

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

(b) Other taxes

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

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

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

Land use right tax and other taxes are recognised in the administration and other expenses of the profit and loss.

4.8 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Provisions (continued)

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

4.9 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Economic Entity and of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The financial statements are presented in Renminbi ("RMB"), which is the Economic Entity's and the Company's functional currency and presentation currency.

4.10 Contingent liabilities and contingent assets

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

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

4.11 Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Economic Entity and to the Company, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured.

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

4.12 Intangible assets

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

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs

5.1 New FRSs and amendments to FRSs adopted

(a) The Economic Entity and the Company have adopted all the following FRSs and amendments to FRSs that were effective on or before 1 January 2008 for the preparation of the financial statements for the financial years ended 31 December 2006, 2007 and 2008.

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 114_{2004}	Segment Reporting
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
Amendment to FRS 119_{2004}	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 123_{2004}	Borrowing Costs
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

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

5.1 New FRSs and amendments to FRSs adopted (continued)

IC Interpretation 107	Introduction of the Euro
IC Interpretation 110	Government Assistance - No Specific Relation to Operating Activities
IC Interpretation 112	Consolidation - Special Purpose Entities
IC Interpretation 113	Jointly Controlled Entities - Non Monetary Contributions by Ventures
IC Interpretation 115	Operating Leases - Incentives
IC Interpretation 121	Income Taxes - Recovery of Revalued Non-Depreciable Assets
IC Interpretation 125	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Interpretation 129	Disclosure - Service Concession Arrangements
IC Interpretation 131	Reserve - Barter Transactions Involving Advertising Transactions
IC Interpretation 132	Intangible Assets - Web Site Costs
IC Interpretation 201	Preliminary and Pre-operating Expenditure
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising From Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

FRS 2, FRS 3, FRS 5, FRS 6, FRS 111, FRS 114_{2004}, FRS 116, FRS 119, Amendment to FRS 119_{2004}, FRS 120, FRS 121, Amendment to FRS 121, FRS 131, FRS 133, FRS 134 and abovementioned IC Interpretations are not relevant to the Economic Entity's and to the Company's operations.

The adoption of the above FRSs and IC Interpretations did not result in changes to the Economic Entity's and to the Company's accounting policies and did not materially affect the net profit of the Economic Entity and of the Company for the financial years ended 31 December 2006, 2007 and 2008 except for the adoption of FRS 128.

FRS 128 required the investors to prepare a set of financial statements that to include their interests in associates using equity method even though the inventors do not prepare any consolidated financial statements.

(b) Framework for the Preparation and Presentation of Financial Statements ("Framework")

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a Malaysian Accounting Standard Board's approved FRS as defined in paragraph 11 of FRS 101 Presentation of Financial Statements and hence, does not define standards for any particular measurement or disclosure issue.

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

5.2 New FRSs and IC Interpretations not adopted

(a) FRS 8 Operating Segments and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers. The requirements of this standard are based on the information about the components of the entity that management uses to make decisions about operating matters. The standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The standard also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information for prior years that is reported as comparative information for the initial year of application would be restated to conform to the requirements of this standard.

FRS 8 is not relevant to the Economic Entity's and to the Company's financial statements.

(b) FRS 4 Insurance Contracts and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202_{2004} General Insurance Business and FRS 203_{2004} Life Insurance Business.

The standard applies to all insurance to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. The standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. The standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

FRS 4 is not relevant to the Economic Entity's and to the Company's financial statements.

(c) FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation.

The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

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

5.2 New FRSs and IC Interpretations not adopted (continued)

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(d) FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

(e) IC Interpretation 9 Reassessment of Embedded Derivatives is mandatory or annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms if the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

IC Interpretation 9 is not relevant to the Economic Entity's and to the Company's financial statements.

(f) IC Interpretation 10 Interim Financial Reporting and Impairment is mandatory or annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The Economic Entity and the Company do not expect any impact on their financial statements arising from the adoption of this Interpretation in the future.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the accounting policies, the Director is of the opinion that there are no key sources of estimation uncertainty at the balance sheet date and no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

7. PREPAID LEASE PAYMENTS FOR LAND

	Economic Entity and Company	
	2008	**2007**
	RMB	**RMB**
Carrying amount		
At 1 January	27,990,923	-
Additions	-	28,273,660
Amortisation charge for the year	(565,473)	(282,737)
At 31 December	27,425,450	27,990,923
Cost	28,273,660	28,273,660
Accumulated amortisation	(848,210)	(282,737)
Carrying amount	27,425,450	27,990,923

The prepaid lease payments for land represent land use rights situated in the PRC. The Company is granted land use rights for a period of 50 years.

Prepaid lease payments for land have been charged to a licensed bank for the banking facilities granted to a related party.

8. INVESTMENT IN AN ASSOCIATE

		Economic Entity	
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Unquoted equity, at cost	-	2,125,000	2,125,000
Share of post-acquisition reserves	-	22,266,091	7,791,045
	-	24,391,091	9,916,045

		Company	
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Unquoted equity, at cost	-	2,125,000	2,125,000

8. INVESTMENT IN AN ASSOCIATE (continued)

The summarised financial information of the associate are as follows:-

	2008 RMB	2007 RMB	2006 RMB
Assets and liabilities			
Non-current assets	-	9,285,789	10,158,268
Current assets	-	207,053,260	92,039,628
Total assets	-	216,339,049	102,197,896
Current liabilities	-	118,774,689	62,533,718
Total liabilities	-	118,774,689	62,533,718

	2008 RMB	2007 RMB	2006 RMB
Results			
Revenue	537,661,900	316,102,413	164,664,348
Net profit for the financial year	103,880,433	57,900,182	26,209,063

The details of the associate, which is incorporated in PRC, are as follows:

Name of Company	Effective interest 2008 %	2007 %	2006 %	Principal activity
HongPeng (Fujian) Shoes & Garments Co. Ltd.	-	25	25	Design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment

On 21 October 2008, the Company disposed of the 25% equity interests in HongPeng (Fujian) Shoes & Garments Co. Ltd. to Hong Kong XinYuanChan International Holding Co., Limited for consideration of RMB2,125,000.

9. OTHER RECEIVABLES

	Economic Entity and Company 2008 RMB	2007 RMB	2006 RMB
Amount owing by an equity holder	37,282,551	26,715,351	18,981,952
Amount owing by a related party	629,905	-	-
Dividend receivable from an associate	-	2,841,376	5,341,375
Dividend receivable from a former associate	14,493,064	-	-
	52,405,520	29,556,727	24,323,327

(i) The amount owing by an equity holder represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

9. OTHER RECEIVABLES (continued)

(ii) The amount owing by a related party represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

10. CAPITAL

	Economic Entity and Company		
	2008	2007	2006
	RMB	RMB	RMB
Registered:			
Balance at 1 January	36,000,000	9,900,000	9,900,000
Created during the year	-	26,100,000	-
Balance at 31December	36,000,000	36,000,000	9,900,000
Paid-up:			
Balance at 1 January	36,000,000	9,900,000	9,900,000
Increased during the year	-	26,100,000	-
Balance at 31 December	36,000,000	36,000,000	9,900,000

During the financial year ended 31 December 2007, the Company had:-

(a) increased its registered capital from RMB9,900,000 to RMB36,000,000 by the creation of an additional RMB26,100,000 capital; and

(b) increased its paid-up capital from RMB9,900,000 to RMB36,000,000 by the increase of RMB26,100,000 capital for cash for the working capital purposes.

11. RESERVES

	Economic Entity		
	2008	2007	2006
	RMB	RMB	RMB
Non-distributable:			
Statutory surplus reserve	2,831,990	952,906	952,906
Distributable:			
Retained earnings	24,494,087	29,848,425	16,367,200
	27,326,077	30,801,331	17,320,106

11. RESERVES (continued)

	Company		
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Non-distributable:			
Statutory surplus reserve	2,831,990	952,906	952,906
Distributable:			
Retained earnings	24,494,087	7,582,334	8,576,155
	27,326,077	8,535,240	9,529,061

(a) Statutory surplus reserve

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

(b) Retained earnings

The Company can frank the payment of net dividends out of its entire distributable retained earnings as at 31 December 2008 without incurring any additional liabilities.

12. OTHER PAYABLE

	Economic Entity and Company		
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Amount owing to a related party	-	100,000	-

The amount owing to a related party represents advances and payments on behalf, which are unsecured, interest-free and repayable on demand.

13. BORROWINGS

	Economic Entity and Company		
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Short term bank loans - unsecured	18,700,000	18,700,000	5,700,000

Information on financial risks of borrowings is disclosed in Note 19 to the financial statements.

The borrowings are unsecured and guaranteed by a former Director, the Company's legal representative, a third party corporation and a third party individual.

14. TAXATION

(a) In addition to the corporate income tax, the types of other taxes applicable to the Economic Entity and the Company include land use right tax and land appreciation tax, and etc.

Type of taxes	Tax basis and applicable rate
Land use right tax	Applicable tax rate per square meter of land area determined by the tax authority.
Land appreciation tax	Appreciation amount in transferring property at applicable tax rate.

(b) Current tax liabilities

	Economic Entity and Company		
	2008 RMB	2007 RMB	2006 RMB
Corporate income tax payable	1,352,740	1,352,740	1,352,740
Land use right tax payable	218,886	11,520	-
	1,571,626	1,364,260	1,352,740

15. REVENUE

Revenue represents dividend received and receivable from an associate.

16. (LOSS)/PROFIT BEFORE TAX

	Economic Entity		
	2008 RMB	2007 RMB	2006 RMB
(Loss)/profit before tax is arrived at after charging:			
Amortisation of prepaid lease payments for land	565,473	282,737	-
Loss on disposal of an associate	21,021,506	-	-
Interest expense on short term bank loans	1,492,851	699,564	356,290
Land use right tax	207,366	11,520	-

16. (LOSS)/PROFIT BEFORE TAX (continued)

	Company		
	2008 RMB	2007 RMB	2006 RMB
Profit/(loss) before tax is arrived at after charging:			
Amortisation of prepaid lease payments for land	565,473	282,737	-
Interest expense on short term borrowings	1,492,851	699,564	356,290
Land use right tax	207,366	11,520	-
And crediting:			
Dividend income received and receivable from an associate	21,076,227	-	5,341,375

17. TAX EXPENSE

	Economic Entity and Company		
	2008 RMB	2007 RMB	2006 RMB
Current tax expense based on profit for the financial year:			
- Corporate income tax	-	-	632,531

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

	Economic Entity		
	2008 RMB	2007 RMB	2006 RMB
(Loss)/Profit before tax	(3,475,254)	13,481,225	6,195,976
Tax at PRC statutory tax rate at 25% (2007 and 2006: 33%)	(868,814)	4,448,804	2,044,672
Tax effect in respect of:			
Non-allowable expenses	3,543,729	-	-
Shares of results of an associate	(3,246,263)	(4,776,765)	(2,162,248)
Deferred tax assets not recognised	571,348	327,961	117,576
Additional corporate tax imposed on dividends income	-	-	632,531
	-	-	632,531

17. TAX EXPENSE (continued)

	Company		
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Profit / (Loss) before tax	18,790,837	(993,821)	4,985,085
Tax at PRC statutory tax rate at 25% (2007 and 2006: 33%)	4,697,709	(327,961)	1,645,078
Tax effect in respect of:			
Income not subject to tax	(5,269,057)	-	(1,762,654)
Deferred tax assets not recognised	571,348	327,961	117,576
Additional corporate tax imposed on dividends income	-	-	632,531
	-	-	632,531

On 16 March 2007, the National Peoples' Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008. According to the New Tax Law, the standard enterprise tax rate for enterprises in PRC would be reduced from 33% to 25%.

The amount of temporary differences for which no deferred tax asset has been recognised in the balance sheets are as follows:

	Economic Entity and Company		
	2008	**2007**	**2006**
	RMB	**RMB**	**RMB**
Unused tax losses			
- Expire by 31 December 2011	356,290	356,290	356,290
- Expire by 31 December 2012	993,821	993,821	-
- Expire by 31 December 2013	2,285,390	-	-
	3,635,501	1,350,111	356,290

Deferred tax assets of the Company have not been recognised in respect of unused tax losses as it is not probable that taxable profit of the Company will be available against which the deductible temporary differences can be utilised. The amounts and the availability of the unused tax losses to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authority.

18. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

18. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

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

Identities of related parties	Relationship with the Company
Ding PengPeng	Equity holder, Company's legal representative and Director
Ding JiaXing	Equity holder
HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HongPeng (Fujian)")	Former associate and company in which Mr. Ding PengPeng has substantial financial interests
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd.	Company in which Mr. Ding JiaXing has substantial financial interests

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

	Company		
	2008 RMB	2007 RMB	2006 RMB
Corporate guarantee given by a related party to bank for credit facilities granted to the Company	-	-	700,000
Prepaid lease payments for land pledged to bank for credit facilities granted to a related party	10,000,000	-	-
Corporate guarantee given to a bank for credit facilities granted to a related party	-	-	800,000
Dividend received from former associate	21,076,227	-	5,341,375

19. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Economic Entity and the Company are exposed mainly to interest rate risk, liquidity and cash flow risk and credit risk. Information on the management of the related exposures is detailed below.

(i) Interest rate risk

Interest rate exposure arises from the Economic Entity's and the Company's borrowings mainly through the use of fixed rate debt. Short term receivables and payables are not exposed to interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

19. FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

(i) Interest rate risk(continued)

The following tables set out the carrying amounts, the effective interest rates as at the balance sheet date of Economic Entity's and Company's financial liabilities that are exposed to interest rate risk and the periods in which they mature, or if earlier, reprice.

	Note	Effective interest rate %	Within 1 year RMB	1 – 2 years RMB	2 – 5 years RMB	Over 5 years RMB	Total RMB
At 31 December 2006							
Fixed rate instruments							
Short term bank loans	13	8.37-8.78	5,700,000	-	-	-	5,700,000
At 31 December 2007							
Fixed rate instruments							
Short term bank loans	13	6.84-9.48	18,700,000	-	-	-	18,700,000
At 31 December 2008							
Fixed rate instruments							
Short term bank loans	13	6.70 - 9.71	18,700,000	-	-	-	18,700,000

(ii) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks where the Economic Entity and the Company are unable to service their cash obligations in the future. To mitigate the risks, the management measures and forecasts its cash commitments and monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Economic Entity and the Company's activities.

(iii) Credit risks

As at 31 December 2008, the Economic Entity and the Company have no significant concentration of credit risk except for amount owing by an equity holder of RMB37,282,551 (2007: RMB26,715,351, and 2006: RMB18,981,952) and dividend receivable from a former associate of RMB14,493,064 (2007: RMB2,841,376, and 2006: RMB5,341,375). The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

In respect of the cash and bank balances placed with major financial institutions in the PRC, the management believes that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

(b) Fair values

The carrying amounts of the financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

20. CAPITAL COMMITMENTS

	Economic Entity and Company 2008 RMB
Capital expenditure in respect of construction of an office building:	
Contracted but not provided for	81,000,000

21. CONTINGENT LIABILITIES

	Economic Entity and Company		
	2008 RMB	2007 RMB	2006 RMB
Secured			
Prepaid lease payments for land pledged to bank for credit facilities granted to a related party	10,000,000	-	-
Unsecured			
Corporate guarantee given to bank for credit facilities granted to a related party	-	-	800,000

22. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 21 October 2008, the Company disposed of the 25% equity interests in HongPeng (Fujian) to Hong Kong XinYuanChan International Holding Co., Limited for consideration of RMB2,125,000.

23. EVENTS AFTER THE BALANCE SHEET DATE

(i) Change in the ownership of the Company

On 30 April 2009, in conjunction with a proposed initial public offering ("IPO") in Malaysia involving the Company, HongPeng (Fujian) acquired the entire equity interests of the Company from the Company's existing equity holders and the Company became the wholly owned subsidiary of HongPeng (Fujian).

(ii) Dividend

On 10 May 2009, a dividend in respect of the financial year ended 31 December 2008 of RMB20,000,000 was approved by the equity holders of the Company. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2009.