Unless otherwise stated, all abbreviations contained in this Abridged Prospectus are defined in the Definitions section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. All enquiries concerning the Rights Issue should be addressed to our Malaysian Share Registrar, **Tricor Investor Services Sdn Bhd**, at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur (Tel: +603 - 2264 3883).

This Abridged Prospectus, together with the NPA and RSF (collectively, the "**Documents**"), will be despatched only to our Entitled Shareholders whose names appear on our Record of Depositors as at 5.00 p.m. on 23 December 2013 at their registered address in Malaysia or who have provided our Malaysian Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on 23 December 2013. The Documents are not intended to (and will not be made to) comply with the laws of any country or jurisdiction other than Malaysia, are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue complies with the laws of any country or jurisdiction other than the laws of Malaysia. Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal adviser and other professional advisers as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue, application for Excess Rights Shares, or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue would result in the contravention of any law of such countries or jurisdictions. We, Mercury Securities and/or the advisers named herein shall not accept any responsibility or liability in the event that any acceptance and/or renunciation (as the case may be) of entitlements, application for Excess Rights Shares or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue made by any Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) are residents.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the ROC who takes no responsibility for the contents of the Documents.

Approval for the Rights Issue has been obtained from our Shareholders at our SGM convened on 9 December 2013. Approval has been obtained from Bursa Securities via its letter dated 7 November 2013 for the admission of the Warrants 2014 to the Official List of the Main Market of Bursa Securities and the listing and quotation of the new securities arising from the Rights Issue and the new Shares to be issued upon exercise of the Warrants 2014 and Additional Warrants on the Main Market of Bursa Securities (subject to the conditions specified in the said letter), which will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of successful Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them. However such admission, listing and quotation are not an indication that Bursa Securities recommends the Rights Issue and are in no way reflective of the merits of the Rights Issue.

Our Board has seen and approved the Documents and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Mercury Securities, being the Principal Adviser for the Rights Issue, acknowledges that based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

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XIDELANG HOLDINGS LTD

(Bermuda Company No. 43136)
(Incorporated as an exempted company in Bermuda under the Companies Act 1981 of Bermuda)
(Malaysian Foreign Company Registration No. 995210-W)
(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 241,998,950 NEW ORDINARY SHARES OF USD0.10 EACH IN XDL ("XDL SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.35 PER RIGHTS SHARE, TOGETHER WITH UP TO 181,499,212 FREE DETACHABLE WARRANTS IN XDL ("WARRANTS 2014") AND AN ATTACHED BONUS ISSUE OF UP TO 181,499,212 NEW XDL SHARES ("BONUS SHARES") TO BE CREDITED AS FULLY PAID-UP AT PAR, ON THE BASIS OF FOUR (4) RIGHTS SHARES TOGETHER WITH THREE (3) FREE WARRANTS 2014 AND THREE (3) BONUS SHARES FOR EVERY TWELVE (12) EXISTING XDL SHARES HELD IN XDL AT 5.00 P.M. ON 23 DECEMBER 2013

Principal Adviser

Mercury Securities Sdn Bhd
(Company No. 113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	:	Monday, 23 December 2013 at 5.00 p.m.
Last date and time for:		
Sale of Provisional Allotments	:	Tuesday, 31 December 2013 at 5.00 p.m.
Transfer of Provisional Allotments	:	Monday, 6 January 2014 at 4.00 p.m.
Acceptance and payment	:	Thursday, 9 January 2014 at 5.00 p.m.*
Excess Rights Share Application and payment	:	Thursday, 9 January 2014 at 5.00 p.m.*

** Or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.*

This Abridged Prospectus is dated 23 December 2013

THE SC AND BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

SHAREHOLDERS / INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE ABRIDGED PROSPECTUS, TOGETHER WITH THE NPA AND RSF (COLLECTIVELY, THE "DOCUMENTS") IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

Act	:	Companies Act, 1965, of Malaysia as may be amended from time to time and any re-enactment thereof
Additional Warrants	:	Up to 19,779,602 additional warrants to be issued to holders of the existing Warrants 2012 pursuant to the adjustments made in accordance with the deed poll dated 15 March 2012
Amendments	:	Amendments to the Bye-laws of our Company pursuant to the Rights Issue
Bermuda Companies Act	:	Companies Act 1981 of Bermuda, as may be amended, supplemented or modified from time to time and any re-enactment thereof
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bonus Share(s)	:	Up to 181,499,212 new Shares to be issued and credited as fully paid up pursuant to the bonus issue attached to the Rights Issue
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
BVI	:	British Virgin Islands
CDS	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account(s)	:	Account(s) established by Bursa Depository for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
China or PRC	:	The People's Republic of China
Closing Date	:	9 January 2014 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time
CMSA	:	Capital Markets and Services Act, 2007, of Malaysia as may be amended from time to time and any re-enactment thereof
D&P Centre	:	Design and production centre
Deed Poll	:	The deed poll dated 9 December 2013 constituting the Warrants 2014
Entitlement Date	:	23 December 2013 at 5.00 p.m., being the date and time at which the Shareholders of our Company must be registered on our Record of Depositors in order to be entitled to participate in the Rights Issue

Entitlement Scenario	:	Assuming all Entitled Shareholders subscribe in full for their respective entitlements pursuant to the Rights Issue
Entitled Shareholder(s)	:	Our Shareholder(s) whose names appear on our Record of Depositors on the Entitlement Date
EPS	:	Earnings per Share
Excess Rights Share	:	Rights Shares which are not taken up or not validly taken up by Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) prior to the Closing Date
Excess Rights Shares Application(s)	:	Application(s) for additional Rights Shares in excess of the Provisional Allotments as set out in Section 9.6 of this Abridged Prospectus
Foreign-Addressed Shareholder(s)	:	Shareholder(s) who have not provided to our Company a registered address in Malaysia or an address in Malaysia for the service of documents which will be issued in connection with the Rights Issue by the Entitlement Date
FYE	:	Financial year ended / ending, as the case may be
HongPeng	:	HongPeng International Holdings Limited (BVI Company No. 1526675), incorporated in BVI as a business company under the BVI Business Companies Act, 2004 (as amended)
Km	:	Kilometre(s)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	:	2 December 2013, being the latest practicable date prior to the printing of this Abridged Prospectus
Malaysian Share Registrar	:	Tricor Investor Services Sdn Bhd (Company No. 118401-V)
Market Day(s)	:	Any day on which Bursa Securities is open for trading in securities
Mercury Securities or **Principal Adviser**	:	Mercury Securities Sdn Bhd (Company No. 113193-W)
NA	:	Net assets
NPA	:	Notice of provisional allotment in relation to the Rights Issue
OEM	:	Original equipment manufacturer
Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Proposals	:	Collectively, the Amendments and the Rights Issue

Provisional Allotments	:	The Rights Shares together with the free Warrants 2014 and attached Bonus Shares provisionally allotted to Entitled Shareholders pursuant to the Rights Issue
Record of Depositors	:	A record of security holders provided by Bursa Depository under the Rules of Bursa Depository
Rights Issue	:	Renounceable rights issue of up to 241,998,950 Rights Shares, together with up to 181,499,212 free Warrants 2014 in XDL and an attached bonus issue of up to 181,499,212 Bonus Shares on the basis of four (4) Rights Shares together with three (3) free Warrants 2014 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held by the Entitled Shareholders on the Entitlement Date
Rights Shares	:	Up to 241,998,950 new Shares to be issued pursuant to the Rights Issue
R&D	:	Research and development
RM and **sen**	:	Ringgit Malaysia and sen, respectively
RMB	:	Renminbi, the official currency of China
ROC	:	Registrar of Companies in Malaysia or, where the context requires, its predecessor, 'Registrar' as defined by Section 4(1) of the Act
RSF	:	Rights Subscription Form in relation to the Rights Issue
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
SGM	:	Special General Meeting
Sqm	:	Square metre(s)
Share(s) or **XDL Share(s)**	:	Ordinary share(s) of USD0.10 each in XDL
Shareholders	:	Registered holders of XDL Shares
SICDA	:	Securities Industry (Central Depositories) Act, 1991 of Malaysia as may be amended from time to time, including Securities Industry (Central Depositories) Amendment Act, 1998 of Malaysia
TEAP	:	Theoretical ex-all price, adjusted for the effects of the issuance of the Rights Shares and Bonus Shares
Treasury Shares	:	The shares of USD0.10 each in the capital of XDL held as treasury shares by XDL pursuant to the exercise of the share buy-back mandate granted by Shareholders in general meeting.
Undertaking	:	The letter of undertaking from HongPeng dated 30 September 2013 pursuant to which HongPeng has irrevocably and unconditionally undertaken *inter alia* to apply and subscribe in full for its entitlement under the Rights Issue on the Entitlement Date

Undertaking Scenario	:	Assuming only HongPeng subscribes for the Rights Shares under the Rights Issue pursuant to its Undertaking
United States	:	The United States of America
USD	:	United States Dollar
Warrant(s) 2012	:	Warrants with an exercise price of RM0.35 each (subject to adjustments in accordance with the deed poll dated 15 March 2012), which have been issued by the Company on 26 April 2012 and are expiring on 25 April 2015
Warrant(s) 2014	:	Up to 181,499,212 warrants in XDL to be issued pursuant to the Rights Issue
XDL or our **Company**	:	XiDeLang Holdings Ltd (Bermuda Company No. 43136, Malaysian Foreign Company Registration No. 995210-W)
XDL Group or our **Group**	:	Collectively, our Company and our subsidiaries

References to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and, where the context otherwise requires, our subsidiaries.

All references to "**you**" in this Abridged Prospectus are to Entitled Shareholders.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

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XIDELANG HOLDINGS LTD
(Bermuda Company No. 43136)
(Incorporated as an exempted company in Bermuda under the Companies Act, 1981 of Bermuda)
(Malaysian Foreign Company Registration No. 995210-W)
(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

BOARD OF DIRECTORS

Name *(Designation)*	Address	Nationality	Profession
Ding LiHong *(Executive Chairman)*	Room 803, Building 2 No.140, Dongtu Street Fengze District, Quanzhou City Fujian Province, PRC	Chinese	Company Director
Ding PengPeng *(Managing Director and Chief Executive Officer)*	No. 210, Xingzhen North Road Hua Ting Kou Village Chendai Town, Jinjiang City Fujian Province, PRC	Chinese	Company Director
Ding PengWan *(Executive Director and Chief Operating Officer)*	No. 102, Xingzhen North Road Hua Ting Kou Village Chendai County, Jinjiang City, Fujian Province, PRC	Chinese	Company Director
Zhu GuoHe *(Senior Independent Non-Executive Director)*	Room 301, Block 2 Yuantaiyuan No.105, Xiangyuan Road Fengze District, Quanzhou City, Fujian Province, PRC	Chinese	Company Director
Wong Yoke Nyen *(Independent Non-Executive Director)*	48, Jalan 17/33 Taman Tan Sri Lee Yan Lian 46400 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Woon Yeow Thong *(Independent Non-Executive Director)*	No. 100, Lorong Duyung 2/2 Taman Duyung 70200 Seremban Negeri Sembilan Darul Khusus Malaysia	Malaysian	Company Director / Advocate and Solicitor

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AUDIT COMMITTEE

Name	Designation	Directorship
Wong Yoke Nyen	Chairman	Independent Non-Executive Director
Zhu GuoHe	Member	Senior Independent Non-Executive Director
Woon Yeow Thong	Member	Independent Non-Executive Director

COMPANY SECRETARIES :

Secretarius Services Sdn Bhd
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 - 2264 8888
Fax : +603 - 2282 2733

Codan Services Limited
(Assistant Secretary)
Clarendon House
2 Church Street, Hamilton HM11
Bermuda
Tel : +1 (441) 295 1422
Fax : +1 (441) 292 4720

COMPANY AGENT IN MALAYSIA :

PFA Corporate Consultants Sdn Bhd
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 - 2264 8888
Fax : +603 - 2282 2733

REGISTERED OFFICE IN BERMUDA :

Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Tel : +1 (441) 295 1422
Fax : +1 (441) 292 4720

REGISTERED OFFICE IN MALAYSIA :

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 - 2264 8888
Fax : +603 - 2282 2733

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HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS	:	HongPeng Building Yangguang East Road Hua Ting Kou Industrial Zone Chandai County Jinjiang City, Fujian Province Peoples' Republic of China Postal Code: 362211 Tel : +86 (595) 8677 6888 Fax : +86 (595) 8677 7222 Email : xidelang666@126.com Website : www.xidelang.com (Information in our website does not constitute any part of this Abridged Prospectus)
AUDITORS AND REPORTING ACCOUNTANTS	:	BDO (AF: 0206) Chartered Accountants 12th Floor, Menara Uni-Asia 1008, Jalan Sultan Ismail 50250 Kuala Lumpur Tel : +603 - 2616 2888 Fax : +603 - 2616 3191
SOLICITORS AND LEGAL ADVISERS TO OUR COMPANY ON MALAYSIAN LAW FOR THE RIGHTS ISSUE	:	Mah-Kamariyah & Philip Koh 3A07, Block B, Phileo Damansara II 15 Jalan 16/11, Off Jalan Damansara 46350 Petaling Jaya Selangor Darul Ehsan Tel : +603 - 7956 8686 Fax : +603 - 7956 2208
LEGAL ADVISERS TO OUR COMPANY ON BERMUDA LAW FOR THE RIGHTS ISSUE	:	Conyers Dill & Pearman Pte. Ltd. 9 Battery Road #20-01 Straits Trading Building Singapore 049910 Tel : +65 6223 6006 Fax : +65 6223 7887
LEGAL ADVISERS TO OUR COMPANY ON HONG KONG LAW FOR THE RIGHTS ISSUE	:	Chiu, Szeto & Cheng Solicitors Unit 818, 8th Floor, China Insurance Group Building No. 73 Connaught Road Central Hong Kong Tel : +852 2529 9191 Fax : +852 2529 9116
LEGAL ADVISERS TO OUR COMPANY ON PRC LAW FOR THE RIGHTS ISSUE	:	Grandall Law Firm (Guangzhou) 9/ D-E, Cheng Jian Building 189 Ti Yu Xi Road Guangzhou PRC Tel : +86 (20) 3879 9345 Fax : +86 (20) 3879 9335
PRINCIPAL BANKERS	:	Industrial and Commercial Bank of China Jinjiang Sub-branch, Neikeng Office Chamber of Commerce Building Neikeng Development Zone, Jinjiang City Fujian Province PRC Tel : +86 (595) 8838 8104

	:	Fujian Jinjiang Rural Cooperative Bank Meiling Sub-branch Yinli Building Qingyang Street, Jinjiang City Fujian Province PRC Tel : +86 (595) 8569 1469
	:	Bank of Communications No. 550, Fengze Street Quanzhou City Fujian Province PRC Tel : +86 (595) 2213 2899
MALAYSIAN SHARE REGISTRAR	:	Tricor Investor Services Sdn Bhd Level 17, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel : +603 - 2264 3883 Fax : +603 - 2282 1886
BERMUDA SHARE REGISTRAR	:	Codan Services Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda Tel : +1 (441) 295 5950 Fax : +1 (441) 292 4720
PRINCIPAL ADVISER	:	Mercury Securities Sdn Bhd L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur Tel : +603 - 6203 7227 Fax : +603 - 6203 7117
STOCK EXCHANGE LISTED AND LISTING SOUGHT	:	Main Market of Bursa Securities

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XIDELANG HOLDINGS LTD
(Bermuda Company No. 43136)
(Incorporated as an exempted company in Bermuda under the Companies Act, 1981 of Bermuda)
(Malaysian Foreign Company Registration No. 995210-W)
(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

Registered Office in Malaysia

Level 18
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

23 December 2013

Our Board of Directors:

Ding LiHong *(Executive Chairman)*
Ding PengPeng *(Managing Director and Chief Executive Officer)*
Ding PengWan *(Executive Director and Chief Operating Officer)*
Wong Yoke Nyen *(Independent Non-Executive Director)*
Zhu GuoHe *(Senior Independent Non-Executive Director)*
Woon Yeow Thong *(Independent Non-Executive Director)*

To: Entitled Shareholders

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 241,998,950 RIGHTS SHARES AT AN ISSUE PRICE OF RM0.35 PER RIGHTS SHARE, TOGETHER WITH UP TO 181,499,212 FREE WARRANTS 2014 AND AN ATTACHED BONUS ISSUE OF UP TO 181,499,212 BONUS SHARES, ON THE BASIS OF FOUR (4) RIGHTS SHARES TOGETHER WITH THREE (3) FREE WARRANTS 2014 AND THREE (3) BONUS SHARES FOR EVERY TWELVE (12) EXISTING SHARES HELD IN XDL AT 5.00 P.M. ON 23 DECEMBER 2013

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1. INTRODUCTION

On 8 November 2013, Mercury Securities had, on our behalf, announced that Bursa Securities had vide its letter dated 7 November 2013 granted its approval for the following:-

(a) the admission of the Warrants 2014 to the Official List of Bursa Securities;

(b) the listing and quotation of the Rights Shares, Warrants 2014, Bonus Shares and Additional Warrants on the Main Market of Bursa Securities; and

(c) the listing and quotation of the new Shares arising from the exercise of the Warrants 2014 and Additional Warrants on the Main Market of Bursa Securities;

subject to, amongst others, the following conditions:-

Details of conditions imposed		Status of compliance
(i)	Our Company and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue	Met/To be met where applicable
(ii)	Our Company and Mercury Securities to inform Bursa Securities upon the completion of the Rights Issue	To be met
(iii)	Our Company to furnish Bursa Securities with a written confirmation of compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed	To be met
(iv)	Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants 2014 as at the end of each quarter together with a detailed computation of the listing fees payable	To be met

Our Board is pleased to inform you that at our SGM held on 9 December 2013, our Shareholders had approved, amongst others, the Rights Issue. A certified true extract of the ordinary resolution pertaining to the Rights Issue which was passed by our Shareholders at the said SGM is set out in Appendix I of this Abridged Prospectus.

On 9 December 2013, Mercury Securities had, on our behalf, announced that the Entitlement Date for the Rights Issue has been fixed at 5.00 p.m. on 23 December 2013.

Save for the Rights Issue, our Board has confirmed that as at LPD, our Company does not have any other intended corporate proposals which have been approved by regulatory authorities but are pending implementation.

No person is authorised to give any information or make any representation not contained in this Abridged Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by Mercury Securities or us in connection with the Rights Issue.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. PARTICULARS OF THE RIGHTS ISSUE

2.1 Details of the Rights Issue

In accordance with the terms of the Rights Issue as approved by the relevant authorities and our Shareholders and subject to the terms of this Abridged Prospectus and the accompanying documents, our Company shall provisionally allot up to 241,998,950 Rights Shares together with up to 181,499,212 free Warrants 2014 and up to 181,499,212 Bonus Shares on a renounceable basis of four (4) Rights Shares together with three (3) free Warrants 2014 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held by Entitled Shareholders on the Entitlement Date, at an issue price of RM0.35 per Rights Share.

As an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Provisional Allotments for which you are entitled to subscribe for under the terms of the Rights Issue and a RSF, which is to be used for the acceptance of your Provisional Allotments as well as for making an Excess Rights Share Application if you choose to do so.

The Warrants 2014 and Bonus Shares are attached to the Rights Shares without any cost and will be issued only to Entitled Shareholders and/or their transferee(s) and /or their renouncee(s) who subscribe for the Rights Shares. The Warrants 2014 are exercisable into new XDL Shares and each Warrant 2014 will entitle its holder to subscribe for one (1) new XDL Share at an exercise price of RM0.35. The Warrants 2014 and Bonus Shares will be immediately detached from the Rights Shares upon issuance and traded separately. The Warrants 2014 will be issued in registered form and constituted by the Deed Poll. The indicative salient terms of the Warrants 2014 are set out in Section 2.5 of this Abridged Prospectus.

Any dealings in our securities will be subject to, amongst others, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the new securities arising from the Rights Issue will be credited directly into the respective CDS Accounts of successful applicants. No physical certificates will be issued to the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), nor will any physical share certificates be issued for the new Shares to be issued arising from the exercise of the Warrants 2014.

The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Rights Issue. However, the Rights Shares, Warrants 2014 and Bonus Shares cannot be renounced separately, and only Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants 2014 and Bonus Shares. As such, the Entitled Shareholders who renounce all of their Rights Share entitlements under the Rights Issue will not be entitled to the Warrants 2014 and Bonus Shares. If the Entitled Shareholders accept only part of their Rights Share entitlements under the Rights Issue, they shall be entitled to the Warrants 2014 and Bonus Shares in proportion to their acceptance of the Rights Share entitlements.

The Rights Shares which are not taken up or validly taken up by Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), if applicable, shall be made available for Excess Rights Shares Applications. It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:-

(i) to minimise the incidence of odd lots;

(ii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares, taking into consideration their respective shareholdings as at the Entitlement Date on a board lot basis;

(iii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares, taking into consideration the quantum of their respective Excess Rights Share Applications; and

(iv) on a pro-rata basis to the transferee(s) and/or renouncee(s) who have applied for Excess Rights Shares, based on the quantum of their respective Excess Rights Shares application.

Fractional entitlements arising from the Rights Issue, if any, will be dealt with by the Board in such manner and on such terms and conditions as the Board at its absolute discretion deems fit or expedient and in the best interests of the Company.

Notice of allotment will be despatched to Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) within eight (8) Market Days from the last date for acceptance and payment of the Rights Shares or such other period as may be prescribed by Bursa Securities.

The Rights Shares, Bonus Shares and Warrants 2014 will be admitted to the Official List of Bursa Securities and the listing and quotation of these securities will commence two (2) Market Days upon the receipt of an application for quotation for these securities as specified under the Listing Requirements, which will include *inter alia*, confirmation that all notices of allotment have been despatched to the successful applicants, and after receipt of confirmation from Bursa Depository that all CDS Accounts of successful applicants have been duly credited.

You should read this Abridged Prospectus in its entirety before making a decision.

2.2 Basis of determining the prices of securities

Issue price of the Rights Shares

On 30 September 2013, our Board had fixed the issue price of the Rights Share at RM0.35 per Rights Share, after taking into consideration the following:-

(a) the funding requirements of the XDL Group, details of which are set out in Section 3.2 of this Abridged Prospectus;

(b) the par value of XDL Shares of USD0.10 each;

(c) the TEAP of XDL Shares; and

(d) the historical share price and volatility of XDL Shares.

The issue price of the Rights Shares represents a premium of approximately 24.7% to the TEAP of RM0.2807 per Share, calculated based on the five (5)-day volume-weighted average market price ("**VWAP**") of XDL Shares up to and including the LPD of RM0.3277.

The following are the calculations in arriving at the TEAP of RM0.2807 per Share:

	No. of Shares	Price per Share (RM)	Sub-total (RM)
Assumed no. of Shares held	12	^0.3277	3.9324
Rights Shares entitled	4	0.35	1.4000
Bonus Shares entitled	3	0	0
Total	**19**		**5.3324**

^ *Five (5)-day VWAP of XDL Shares up to and including the LPD.*

TEAP = RM5.3324 / 19 Shares = **RM0.2807**

However, having considered that the Bonus Shares will be issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares, the average subscription cost of RM0.20 per Rights Share (without taking into consideration the Warrants 2014, the value of which cannot be determined at this juncture) would represent a discount of approximately 28.7% to the aforementioned TEAP.

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The following are the calculations in arriving at the average subscription cost of RM0.20 per Rights Share:

	No. of Shares	Price per Share	Sub-total
		(RM)	(RM)
Rights Shares	4	0.35	1.40
Bonus Shares	3	0	0
	7		1.40

Average subscription cost = RM1.40 / 7 Shares = **RM0.20**

Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), if applicable, should note that the market price for our Shares is subject to the vagaries of market forces and other uncertainties in addition to the risk factors set out in Section 5 of this Abridged Prospectus, which may affect the price of our Shares being traded. Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), if applicable, should form their own views on the valuation of the Rights Shares and new securities arising from the Rights Issue before deciding to invest in the Rights Issue.

Exercise price of the Warrants 2014

The exercise price of RM0.35 for each of the Warrants 2014 was determined by the Board after taking into consideration, amongst others, the following:-

(a) the par value of XDL Shares of USD0.10 each; and

(b) the issue price of RM0.35 per Rights Share;

The exercise price of the Warrants 2014 represents a premium of approximately 24.7% to the TEAP of RM0.2807 per Share, calculated based on the five (5)-day VWAP of XDL Shares up to and including the LPD of RM0.3277.

The Board, in determining the abovementioned exercise price, has also taken into consideration, amongst others, its confidence in the Company's business model and prospects which emphasises on (i) continuous development of its existing business via strengthening of 'XiDeLang' as a trendy and fashion-leading sportswear brand; (ii) capitalising on growth opportunities via securing larger original-equipment-manufacturer ("**OEM**") contracts with established global brands in view of its plans of increasing production capacity in its new D&P Centre; and (iii) developing e-commerce as a new distinct distribution network extending beyond its traditional online business *(please refer to Section 3.2, Levels 14 – 15 for further details)*.

2.3 Ranking of Rights Shares, Bonus Shares and new XDL Shares arising from the exercise of the Warrants 2014

Rights Shares and Bonus Shares

The Rights Shares and Bonus Shares shall, upon allotment, issuance and full payment (where applicable), rank *pari passu* in all respects with the then existing issued and fully paid-up Shares, save and except that the Rights Shares and Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the respective dates of allotment of the Rights Shares and Bonus Shares.

New XDL Shares arising from the exercise of the Warrants 2014

The new XDL Shares to be issued pursuant to the exercise of the Warrants 2014 shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and fully paid-up Shares, save and except that the new XDL Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new XDL Shares arising from the exercise of the Warrants 2014.

2.4 Last Date and Time for Acceptance and Payment

The Closing Date is **5.00 p.m.** on **Thursday, 9 January 2014**, or such later date and time as our Board may decide and announce not less than two (2) Market Days before the aforesaid date and time.

2.5 Salient Terms of the Warrants 2014

The salient terms of the Warrants 2014 to be issued pursuant to the Rights Issue are set out below:-

Issuer	:	XDL
Issue size	:	Up to 181,499,212 Warrants 2014
Form and denomination	:	The Warrants 2014 will be issued in registered form and constituted by the Deed Poll.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants 2014 shall be 100 units of Warrants 2014, unless otherwise revised by the relevant authorities.
Tenure	:	Three (3) years from the date of issuance of the Warrants 2014.
Exercise Period	:	The Warrants 2014 may be exercised at any time within a period of three (3) years commencing from and including the date of issue of the Warrants 2014 to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the third (3^{rd}) anniversary from the date of issue of the Warrants 2014. Any Warrant 2014 not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Exercise Price	:	Subject to adjustments in accordance with the Deed Poll, the exercise price of the Warrants 2014 has been fixed at RM0.35 each. The total amount payable for the exercise of the Warrants 2014 should be rounded up to the nearest sen.
Exercise Rights	:	Each Warrant 2014 shall entitle its holder to subscribe for one (1) new Share at any time during the exercise period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.

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Mode of exercise	:	Holders of the Warrants 2014 shall pay, by way of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia, the aggregate of the Exercise Price payable when exercising their Warrants 2014 to subscribe for new Shares.
Adjustments to the final Exercise Price and/or the number of the Warrants 2014	:	The Exercise Price and/or the number of Warrants 2014 in issue may be subject to adjustments in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants 2014, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.
Rights of the Warrant 2014 holders	:	The Warrants 2014 do not confer on their holders any voting rights or any right to participate in any distribution and/or offer of further securities in the Company until and unless such holders of the Warrants 2014 exercise their Warrants 2014 and are allotted and issued new XDL Shares arising from their exercise of the Warrants 2014.
Ranking of the new Shares to be issued pursuant to the exercise of the Warrants 2014	:	The new XDL Shares to be issued pursuant to the exercise of the Warrants 2014 shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and fully paid-up Shares, save and except that the new XDL Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new XDL Shares arising from the exercise of the Warrants 2014.
Listing	:	Approval has been obtained from Bursa Securities for the admission of the Warrants 2014 to the Official List of Bursa Securities, the listing and quotation of the Warrants 2014 as well as the new Shares to be issued pursuant to the exercise of the Warrants 2014 on the Main Market of Bursa Securities.
Rights of the Warrants 2014 holders in the event of winding up, liquidation, compromise and/or arrangement	:	(a) Where a resolution has been passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies, then for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants 2014 (or some person designated by them for such purpose by special resolution of the holders of the Warrants 2014) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants 2014; (b) In the event a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date or soon after it despatches such notice to its Shareholders, give notice thereof to all holders of the Warrants 2014.

Every holder of the Warrants 2014 shall thereupon be entitled, subject to the conditions set out in the Deed Poll, to exercise his Warrants 2014 at any time not more than 21 days prior to the proposed general meeting of the Company by submitting the subscription form (by irrevocable surrender of his Warrants 2014 to the Company) duly completed authorising the debiting of his Warrants 2014 together with payment of the relevant Exercise Price, whereupon the Company shall as soon as possible but in any event prior to the date of the general meeting, allot the relevant Shares to the holder of the said Warrants 2014 credited as fully paid-up at par subject to the prevailing laws.

Subject to the above, if the Company is wound-up or an order has been granted for such compromise or arrangement, all Warrants 2014 which are not exercised prior to the passing of the resolution for winding-up or the granting of the court order approving the winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) shall lapse and the Warrants 2014 will cease to be valid for any purpose.

Transferability	:	The Warrants 2014 shall be transferable in the manner provided under the SICDA and the Rules of Bursa Depository.
Deed Poll	:	The Warrants 2014 shall be constituted under the Deed Poll to be executed by the Company.
Governing Law	:	The Warrants 2014 and the Deed Poll shall be governed by the laws of Malaysia.

3. PURPOSE OF THE RIGHTS ISSUE

3.1 Rationale for the Rights Issue

The Rights Issue will enable the Company to raise funds and channel them towards the proposed utilisation as set out in Section 3.2 of this Abridged Prospectus. After due consideration of the various options available, the Board is of the opinion that the Rights Issue is the most suitable for the following reasons:-

(a) The Rights Issue will involve the issuance of new XDL Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Rights Issue;

(b) The Rights Issue provides an opportunity for the Entitled Shareholders to participate in an equity offering of the Company on a pro-rata basis; and

(c) The Rights Issue will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing.

The Warrants 2014 and Bonus Shares which are attached to the Rights Shares are intended to encourage the Entitled Shareholders to subscribe for the Rights Shares. In addition, the Warrants 2014 will provide holders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants 2014, and will allow holders to further participate in the future growth of the Company when the Warrants 2014 are exercised.

The exercise of the Warrants 2014 in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, should the Company increase its borrowings in the future, the exercise of the Warrants 2014 will increase Shareholders' funds and improve the Company's gearing level, thereby providing the Company flexibility in terms of the options available to meet its funding requirements.

3.2 Utilisation of Proceeds

Based on the issue price of RM0.35 per Rights Share, the gross proceeds to be raised from the Rights Issue and its expected utilisation under the Undertaking Scenario and Entitlement Scenario are as follows:-

Proposed utilisation of proceeds	Expected timeframe for utilisation	Undertaking Scenario RM'000	Entitlement Scenario RM'000
Construction of the second stage of the new D&P Centre	Within 3 years	41,455	83,700
Estimated expenses in relation to the Rights Issue (1)	Immediate	1,000	1,000
		(2)42,455	**84,700**

Notes:-

(1) The estimated expenses in relation to the Proposals are as follows:-

	RM'000
Professional fees	*850*
Fees payable to the relevant authorities	*100*
Printing cost and miscellaneous expenses	*50*
	1,000

If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for the construction of the second stage of the new D&P Centre. Conversely, any surplus of funds following payment of expenses will be utilised for the construction of the second stage of the new D&P Centre.

(2) Any proceeds raised from the Rights Issue in addition to that under the Undertaking Scenario will be allocated to fund the construction of the second stage of the new D&P Centre.

The actual gross proceeds to be raised from the Rights Issue will depend on the actual number of Rights Shares that will be finally issued. The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants 2014 would depend on the actual number of Warrants 2014 exercised. The proceeds from the exercise of the Warrants 2014 will be received on an "as and when basis" over the tenure of the Warrants 2014.

Strictly for illustrative purposes, based on the exercise price of RM0.35 per Warrant 2014, the Company will raise gross proceeds of up to RM63.5 million upon full exercise of the Warrants 2014 under the Entitlement Scenario. Any proceeds arising from any potential exercise of Warrants 2014 in the future will be used to finance future working capital requirements.

Details of the second stage of the new D&P Centre

The new D&P Centre is a two (2)-stage development that caters for the design and manufacture of sports shoes and apparel, strategically located at a promising location in an upcoming commercial and business district of Jinjiang City. The new D&P Centre will:

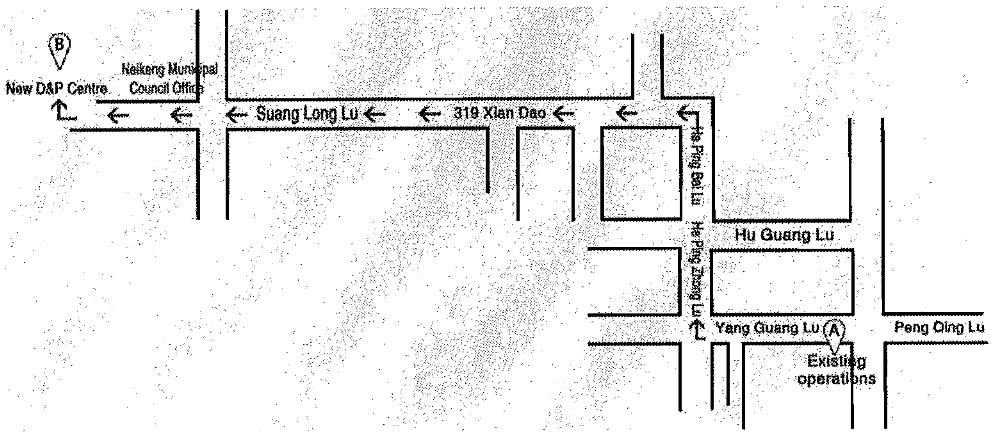
(1) allow us to move to a much larger headquarters and house all operations under one-roof in the new commercial zone of Jinjiang City, within the vicinity of suppliers and business associates. The first stage of the D&P Centre has been completed in 2013 and comprises workers' dormitories, administration space, warehouse and production lines. The second stage of the D&P Centre ("**Stage 2 Building**") will complete the new D&P Centre with the housing of the Group's management offices, e-commerce centre, research and development centre, product showroom and senior management dormitories.

(2) enable the increase in production capacity to cater for our prospects as set out in Section 6.2 of this Abridged Prospectus. In particular, with the expected increase in OEM sales, we see growth opportunities in the OEM business and plan to step-up efforts to secure larger original-equipment-manufacturer ("**OEM**") contracts with established global brands. At the same time, it will enable significant reduction in volume of shoes outsourced and hence achieve annual cost savings.

(3) improve operational efficiencies that is expected to lead to better cost efficiencies.

(4) provide the platform for the development of our e-commerce initiative as a new distinct distribution network extending beyond traditional online business (please refer to the heading "Levels 14 – 15" below for further details).

The new D&P Centre, as shown in point B below, is approximately 17km from the Company's existing operations located in Hua Ting Kou Village, Chendai County, Jinjiang City, as shown in point A below.



(Source: Management of XDL)

The new D&P Centre is strategically situated in Zhainei Village, Neikeng County, Jinjiang City which is envisaged to expand Jinjiang City's commercial real estate zones beyond the existing city center surrounding the Qingyang District of Jinjiang City, and is surrounded by the following significant landmarks:-

(a) new campus of Quanzhou Institute of Technology and the headquarters of Neikeng County's local government authorities, which are opposite the new D&P Centre;

(b) Jinjiang Train Station within one (1) Km, which feeds into the Xiamen City – Shenzhen City high-speed train line; and

(c) Quanzhou Jinjiang International Dry Port within two (2) Km, which serves as the major land transport hub for commercial goods for Quanzhou City and Jinjiang City.

The first stage of the new D&P Centre for which construction started in early 2009, has been completed in the first quarter of 2013 with eight (8) buildings spanning across approximately 51,700 sqm land area (comprising production, dormitory, administration and warehouse space) giving a total built-up area of 114,453 sqm. As at LPD, the total cost incurred by the Company for the first stage of the D&P Centre amounts to approximately RMB533.0 million (approximately RM274.6 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD), which has been funded from the Company's internally generated funds (RM280.7 million) as well as proceeds from its initial public offering (RM16.1 million) completed on 11 November 2009. Since the completion of the first stage, the Company has been progressively moving its production lines from its existing factory to the D&P Centre in phases to ensure a smooth transition. The relocation of all its production to the D&P Centre is expected to be completed by the first quarter of 2014. Upon the complete relocation of all its production and administration to the first stage of the new D&P Centre by the first quarter of 2014, the Company will vacate the rented premises. The cost to be incurred by the Company to relocate its remaining operations in Hua Ting Kou Village, Chendai County to the new D&P Centre in Zhainei Village, Neikeng County is estimated to be in the region of RMB4.0 million (approximately RM2.11 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD) and will be funded from the Company's internally-generated funds.

Currently, the Company has six (6) production lines – four (4) or 67% of newly installed production lines is in the new D&P Centre whilst two (2) or 33% remains in its Hua Ting Kou Village production facility, with a total production capacity of 6.3 million pairs of shoes per annum. For the nine (9)-month period up to 30 September 2013, the Company has produced a total of approximately 3.6 million pairs of shoes.

For information purposes, XDL is in the midst of installing an additional two (2) new production lines in the D&P Centre, which is expected to be completed by the first quarter of 2014. Upon completion, the existing two (2) production lines in Hua Ting Kou Village will be discontinued and the Company will mobilise its production workers to operate the new production lines. This will ensure a smooth transition such that the Company's production is uninterrupted. As at LPD, the only remaining tenancy agreement for the factory located in Hua Ting Kou Village bears rental payment of RMB1.37 million per annum (approximately RM0.72 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD). XDL will be able to save this rental payment upon its relocation to the D&P Centre in the first quarter of 2014.

Currently, the first stage of the D&P Centre has three (3) blocks of dormitories with a total of 651 rooms of various sizes and layout, which is primarily allocated for general workers to middle level managers. The management estimates that these rooms will be able to accommodate up to 2,600 staff. As at LPD, XDL has a workforce of approximately 1,380 staff. This number is estimated to increase to 3,000 upon full operation of the two (2) stages of the new D&P Centre. Of this, senior management will make up to approximately 120-140 staff. As explained below, Levels 6 – 9 of the new building have been earmarked for the accommodation of these senior management staff. Please refer to the ensuing paragraphs for further details of the new senior management dormitories.

The Stage 2 Building will primarily be utilised for the development of the Group's management offices, e-commerce centre, R&D centre, product showroom and senior management dormitories. The new building involves the construction of a 21-storey building with two (2) floors of basement parking (total 23 floors) on a plot of land measuring approximately 16,000 sqm adjacent to the completed first stage D&P centre, and is envisioned to provide a total built-up area of approximately 52,000 sqm upon completion.

Construction of the Stage 2 Building is expected to commence in the second quarter of 2014 and is expected to complete within three (3) years. Currently, the proposed building plan has been submitted to the relevant authorities and is under their assessment. Approval for the same is expected by the first quarter of 2014. Please refer to Section 5.2 (x) for the risk of modification or non-approval of the proposed Stage 2 building plan. The total cost for the Stage 2 Building is estimated to be approximately RMB380.0 million (approximately RM200.1 million based on the exchange rate of RMB1:RM0.5267 as at LPD). The cost was estimated based on the proposed building plan and after discussions with architects and quantity surveyors and have also taken into consideration the prevailing cost of raw materials, labours as well as the foundation of the Stage 2 Building to be constructed. Formal quotations have not yet been submitted to the Company. Such formal quotations and the final cost thereof will be determined prior to commencement of construction via a tender process.

Strictly for information purposes only, the basis for the estimated construction cost of the Stage 2 Building is set out as follows:-

Estimated construction cost

Estimated building construction cost		
Total built-up area	=	approximately 52,000 sqm
Estimated cost of construction, furnishing & furbishing per sqm	=	RMB 6,200
Estimated total building construction cost	=	52,000 x RMB 6,200
Estimated building cost	=	**RMB 322,400,000**
Estimated car park construction cost		
Total built-up area (2 floors)	=	approximately 19,216 sqm
Estimated cost of construction per sqm	=	RMB 3,000/sqm
Estimated total car park construction cost	=	19,216 x RMB 3,000
Estimated car park cost	=	**RMB 57,648,000**
Estimated total construction cost *(approximately)*		**RMB380 million**

The Company intends to utilise the proceeds from the Rights Issue to part finance the Stage 2 Building, whilst the remaining amount will be funded by bank borrowings and internally-generated funds. Any proceeds earmarked to part finance the Stage 2 Building which are not utilised will be utilised by the Company for working capital purposes.

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In relation to the above, strictly for illustrative purposes, the remaining amount of the construction cost for the Stage 2 Building that is estimated to be funded via internally-generated funds (based on the audited financial statements for the FPE 30 September 2013) is as follows:

Analysis of funding requirements

	Undertaking Scenario		Entitlement Scenario	
	RMB '000	[(1)]RM'000	RMB '000	[(1)]RM'000
Estimated construction cost of the Stage 2 Building	380,000	200,146	380,000	200,146
Less: Bank financing [(2)]	(130,000)	(68,471)	(130,000)	(68,471)
Amount required after bank financing	250,000	131,675	250,000	131,675
Less: Amount earmarked for the construction of Stage 2 Building from the Rights Issue proceeds	(78,707)	[(3)](41,455)	(158,913)	[(3)](83,700)
Balance required, to be financed via internally generated funds **(A)**	171,293	90,220	91,087	47,975
Cash and cash equivalents @ 30 September 2013 **(B)**	323,459	170,366	323,459	170,366
Balance of cash and cash equivalents available after funding of Stage 2 Building construction **(B) – (A)**	152,166	80,146	232,372	122,391
Less:				
(i) Acquisition of eight (8) new advanced production lines (of which two (2) new production lines are to replace two (2) existing old production lines) and the corresponding supporting machineries and ancillary equipment in FYEs 2014 and 2015 [(4)]	(40,000)	(21,068)	(40,000)	(21,068)
(ii) Part repayment of banking facilities for the construction of Stage 2 Building (as detailed in note 1) above	(12,000)	(6,320)	(12,000)	(6,320)
Funding reserved for working capital and operational requirements	**100,166**	**52,758**	**180,372**	**95,003**

Notes:-

(1) RM figures were translated based on BNM's exchange rate of RMB1:RM0.5267 as at LPD.

*(2) The Group has on 28 September 2013 secured a six (6)-year bank facility from the Industrial and Commercial Bank of China (Jinjiang branch) of RMB130 million for the construction of Stage 2 Building with an interest calculated based on 10% of the People's Bank of China's base interest rate ("**PBC-BIR**") plus PBC-BIR. Based on the PBC-BIR of 6.55% per annum (for term loan of five (5) years and above) as at LPD, the interest rate for the bank facility amounts of 7.205% per annum.*

(3) The gross proceeds to be raised from the Rights Issue under the Undertaking Scenario and Entitlement Scenario are RM42.5 million and RM84.7 million, respectively. The amount earmarked for the construction of Stage 2 Building from the Rights Issue proceeds shown in the table above is after deduction of RM1.0 million being the estimated expenses in relation to the Proposals.

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(4) *There will be effectively six (6) new advanced production lines to be installed in FYEs 2014 and 2015, in line with the scheduled capacity increase for the new D&P Centre that is to cater for the Company's prospects as set out in Section 6.2 of this Abridged Prospectus. In particular, the expected increase in OEM sales as the Group sees growth opportunities in the OEM business and plans to step-up efforts to secure larger OEM customers. Nevertheless, the setup of these planned production lines shall be assessed against the backdrop of orders received and level of customers secured. Should the number of production lines eventually required be less than anticipated, the balance of such funds shall be channeled towards the Group's working capital use.*

As illustrated in the table above, the Rights Issue and bank financing of RMB130.0 million from the Industrial and Commercial Bank of China (Jinjiang branch) are pertinent to ensure that XDL will have sufficient funds to for the construction of the Stage 2 Building as well as for its on-going expansion and working capital requirements. As shown above, based on the Undertaking Scenario, the Company will have RMB100.2 million (or approximately RM52.8 million) as funding reserved for working capital and operational requirements. This would represent approximately 21.4% of XDL Group's turnover of RMB468 million (approximately RM246.5 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD) for FPE 30 September 2013. The management of XDL is of the view that this amount is reasonable in view of the scale of its existing operations.

Notwithstanding the prevailing market conditions and outlook of China's economy as well as China's sportswear industry as discussed in Section 6 below, the Group's decision to construct the Stage 2 Building was premeditated, taking into account the practical and strategic considerations in planning for its future business needs. XDL is positive that the demand for sports shoes, apparel, accessories and equipment will continue to grow with China's growing per capita disposable income. Further, with the Group's competitive strengths, coupled with the various efforts discussed in Section 6.2 below, its prospects for the coming financial year appear to be positive.

The Group intends to utilise the 21-floor Stage 2 Building for the following purposes:-

(a) a total of sixteen (16) floors to facilitate the Group's business and operations;

(b) to lease out two (2) floors for commercial and retail activities for rental income; and

(c) to lease out three (3) floors, with a focus on strategic tenants, as general office space for rental income.

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Level	
21	Director offices
20	Corporate office
19	Corporate office
18	Corporate office
17	Corporate office
16	Meeting rooms/ conference hall
15	E-commerce centre for apparel and shoes
14	E-commerce centre for apparel and shoes
13	Product research & design / prototype development & physical testing
12	Product research & design / prototype development & physical testing
11	Product display showcase
10	Product display showcase
9	Senior management dormitory
8	Senior management dormitory
7	Senior management dormitory
6	Senior management dormitory
5	Office space for lease
4	Office space for lease
3	Office space for lease
2	Shop lots for lease
1	Shop lots for lease
Basement 1	Basement parking
Basement 2	Basement parking

Levels 1 and 2

The roads bordering the Stage 2 Building are anticipated to also cater to the surrounding commercial zones, which will result in increased pedestrian traffic along these roads. To capitalise on this, the Group have earmarked the first two (2) floors of the building for commercial and retail businesses.

Levels 3 to 5

The Group intends to lease out these floors to strategic tenants (i.e. sportswear related customers and businesses) as office space for synergistic purposes. Priority for tenancies will be given to sportswear related customers and businesses so as to draw the presence of other players in the demand and supply chain of the sportswear industry. This is expected to generate publicity for XDL and may lead to future business opportunities. Furthermore, the rental income from its lessees will also contribute to the bottom line of the Company.

Upon completion of the Stage 2 Building, the Group will engage real estate agents to solicit lessees at prevailing market rental rates. Upon expiry of the rental agreements, the Group has the flexibility to extend the lease or to keep these floors for its own use.

Levels 6 to 9

Levels 6 to 9 will be used as senior management's dormitory. These floors will have a total of 128 rooms of various sizes and layout and will be able to accommodate 128 senior management staff of the XDL Group (based on single occupancy).

In China, it is common practice for businesses to provide accommodation to employees (from general factory workers to senior management) as in many instances, a significant number of their employees come from other provinces. By providing accommodation to employees in the vicinity of their production facilities or offices, businesses are not only able to incentivise employees but also to optimise logistics for them and in turn improve efficiencies.

As the Group plans to relocate its operations from its existing premises in Chendai County to the new D&P Centre, it will need more space for senior management including accommodation and leisure areas.

Levels 10 and 11

Levels 10 and 11 will be used as the Group's showroom to showcase its range of products. In addition, the Group has earmarked a section of its showroom to be utilised as a brand development centre that will also showcase its historical development and highlights its key achievements in brand development.

Levels 12 and 13

Levels 12 and 13 will be used as the Group's product R&D centre. A larger area is required as the Group plans to construct a testing ground that replicates various terrains to simulate actual outdoor usage conditions. This space will allow users to test out shoes and apparel for comfort and fit during movement, breathability, durability and etc. Further, this will also enable the Group to demonstrate the depth of their shoe and apparel product development capabilities.

Levels 14 and 15

The e-commerce centre occupying Levels 14 and 15 is to support the Group's online business as well as online delivery logistics.

The Group recognises that the Internet is an important instrument for companies to extend their customer reach. With technological advances in telecommunications as well as the proliferation of mobile devices and social media, e-commerce is increasingly prevalent, not just as a medium of exchange for goods and services, but also an important part of a company's marketing agenda to transcend geographical borders.

Currently, the Group does not have an e-commerce centre. Its sales are mainly contributed by authorised distributors, with online sales contributing a small percentage of its total revenue. The Group has plans to further improve its online business, which contributed less than 2% of total revenue for FYE 31 December 2012. This is expected to be achieved via the Company's effort in its e-commerce development as an extension beyond traditional "online sales" of putting up product information on the website for the purpose of selling goods over the Internet. The e-commerce centre planned for the Stage 2 Building is aimed to integrate the network linking customers, suppliers and authorised distributors and hence improve the Group's:-

(a) product flow (eg: movement of goods, provision of after sales support);
(b) information flow (eg: transmission of orders, record keeping); and
(c) finances flow (eg: credit terms, payment schedules).

The e-commerce initiative is especially relevant in view of the Group's network of authorised distributors and its growing base of customers from its OEM business, whereby e-commerce integration serves to reduce the cost of doing business in addition to increasing sales. The new e-commerce division is intended to act as a standalone unit with an independent team providing sales and after sales support, as well as to handle goods delivery logistics.

The e-commerce centre will be an extension to the online business and the Group hopes it will be able to reach out to a wider consumer base in China and overseas, hence increasing online purchases of its products.

Levels 16 to 21

Levels 16 to 21 will be used as management offices and meeting spaces.

Following the completion of the new D&P Centre, the Group will be able to consolidate all its existing operations into a single location and will house an estimated workforce of over 3,000 employees.

For information purposes, part of the Group's management offices, R&D centre, product showroom and senior management dormitories are still located in its existing rented premise in Hua Ting Kou Village, Chendai County whilst the rest are located in the D&P Centre in Zhainei Village, Neikeng County. The corresponding rental payment and depreciation charges (where relevant) incurred on the current year basis (up to 30 November 2013) amounted to a total of RMB1.20 million.

Further information

Pending the completion of the Stage 2 Building which is estimated to be in the first quarter of 2017, XDL will temporarily utilise part of the available floor space in the first stage of the D&P Centre as its management offices, R&D centre, product showroom and senior management dormitories.

As mentioned above, upon completion of the Stage 2 Building, the Group will occupy sixteen (16) out of the 21-floor building. The Group's corporate offices (5 floors), meeting rooms (1 floor), e-commerce centre (2 floors), R&D centre (2 floors), product display showroom (2 floors) and senior management dormitories (4 floors) shall occupy 16 floors, which will have an approximate total built-up area of 39,616 sqm (approximately 2,476 sqm per floor). Based on the prevailing surrounding vicinity's rental rate of RMB360/sqm per annum, this would translate to rental savings of approximately RMB14.3 million per annum for the Group.

Further, as mentioned above, XDL plans to lease out Levels 1 to 2 with an approximate total built-up area of 4,952 sqm (approximately 2,476 sqm per floor) for commercial and retail businesses and Levels 3 to 5 with an approximate total built-up area of 7,428 sqm (approximately 2,476 sqm per floor) as office space. Based on the prevailing surrounding vicinity's rental rate in the region of RMB500 per sqm per annum for commercial and retail space and RMB360 per sqm per annum for office space, this would translate to rental income of approximately RMB5.15 million per annum (approximately RM2.71 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD) per annum for the Group. In the event the Group is unable to lease these floor spaces out, this would result in potential loss of rental income to the XDL Group.

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4. SHAREHOLDER'S UNDERTAKING AND UNDERWRITING ARRANGEMENTS

In extending its support for the Rights Issue, HongPeng (the major shareholder of our Company) has provided an irrevocable and unconditional Undertaking to subscribe in full for at least 121,300,000 Rights Shares, which represents the entire issuance of Rights Shares under the Undertaking Scenario, together with at least 90,975,000 free Warrants 2014 and at least 90,975,000 Bonus Shares on the Entitlement Date, based on its shareholding of 363,900,000 Shares or 50.12% of the issued and paid-up share capital of XDL as at LPD. In view of the foregoing, there will be no underwriting arrangement for the Rights Issue.

In the event that the shareholding of HongPeng in the Company falls to between 33% and 50% of the total issued and paid-up share capital of the Company at any time and subsequently HongPeng elects to exercise the Warrants 2014 and/or Warrants 2012, the number of warrants exercised and the timing of the exercise of such warrants may result in the shareholding of HongPeng in the Company increasing by more than 2% in a period of six (6) months. This may trigger a mandatory offer obligation under Part III of the Malaysian Code on Take-Overs and Mergers, 2010 (the "**Code**") unless otherwise exempted by the SC under the provisions of the Code upon application by HongPeng, subject to the provisions of the Code and any other conditions imposed by the SC. HongPeng has confirmed that it will at all times observe and ensure compliance with the provisions of the Code and will seek the necessary exemptions from the SC, if required. Please refer to Section 3 of Appendix II for more information on the shareholding of HongPeng.

In addition, neither the Entitlement Scenario nor the Undertaking Scenario will result in any non-compliance with Chapter 8 of the Listing Requirements which requires that "*at least 25% of XDL's total listed shares are to be held by public shareholders*", as HongPeng would hold 50.12% or 61.41% of the enlarged issued and paid-up share capital of XDL under the Entitlement Scenario and Undertaking Scenario respectively.

HongPeng has confirmed via its Undertaking that it has sufficient financial means and resources to subscribe in full for its entitlement for at least 121,300,000 Rights Shares and will make full payment for the Rights Shares upon subscription in accordance with the terms and conditions of this Abridged Prospectus. Mercury Securities has verified the sufficiency of financial resources of HongPeng for the purpose of subscribing the Rights Shares pursuant to the Undertaking.

5. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors (which may not be exhaustive) before subscribing for or investing in the Rights Shares.

5.1 Risks relating to the Rights Issue

(i) Delay in or abortion of the Rights Issue

As stated in Section 4 of this Abridged Prospectus, our Company has procured the Undertaking from HongPeng, who has irrevocably and unconditionally undertaken, *inter-alia*, to subscribe for its entitlement under the Rights Issue. While Mercury Securities has verified, to the extent possible, that HongPeng has sufficient financial resources to subscribe for the number of Rights Shares stated in its Undertaking, in the event that HongPeng does not fulfil its obligations under the Undertaking for whatever reason, the successful and timely implementation of the Rights Issue may be affected.

In the event of a failure in implementing the Rights Issue, we will return in full without interest, all monies received in respect of any application for subscription of the Rights Shares.

(ii) Capital market risk

The market price of the new securities arising from the Rights Issue, like all listed securities traded on Bursa Securities, is subject to fluctuation. The respective price of our securities is influenced by, amongst others, the prevailing market sentiments, the volatility of the stock market, movements in interest rates, the outlook of the apparel and footwear industry in which our Company operates in and our financial performance. In view of this, there can be no assurance that our Shares (together with the Rights Shares, Bonus Shares and any new Shares issued pursuant to the exercise of the Warrants 2014) will trade at or above the TEAP of RM0.2807 after completion of the Rights Issue.

The Warrants 2014 are a new instrument issued by our Company. Therefore, there can be no assurance that an active market for the Warrants 2014 will develop upon its listing on Bursa Securities, or, if developed, that it will be sustainable. In addition, there is no assurance that the Warrants 2014 will be "in-the-money" during the exercise period.

Accordingly, there is no assurance that the market price of the Warrants 2014 will be at a level that meets the specific investment objectives or targets of any subscriber of the Warrants 2014.

(iii) Potential dilution

Entitled Shareholders who do not or are not able to accept their Provisional Allotments will have their proportionate ownership and voting interests in our Company reduced and the percentage of our enlarged issued and paid-up ordinary share capital represented by their shareholdings in our Company will be reduced accordingly, assuming other Entitled Shareholders subscribe for their respective entitlements under the Rights Issue.

(iv) Forward-looking statements and other information

Certain statements in this Abridged Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature which are subject to uncertainties and contingencies. All forward-looking statements are based on the estimates and assumptions made by our Company, unless stated otherwise, and although our Board believes these forward-looking statements to be reasonable at this point in time given the prevailing circumstances, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, but are not limited to, those set out in this Abridged Prospectus. In view of this and other uncertainties, the inclusion of any forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty by our Company, the Principal Adviser and/or other advisers that the plans and objectives of our Group will be achieved.

Further, save as required by law or relevant rules and regulations, none of our Directors, the Principal Adviser and/or any other advisers are under any obligation to update any forward-looking statements included in this Abridged Prospectus, or to publicly announce any revision to those forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Certain information in this Abridged Prospectus is extracted or derived from available government publications or other publicly available sources. Neither we nor the Principal Adviser and/or any other advisers have independently verified such information.

5.2 Risks relating to our Group

(i) Dependence on principal markets

As the majority of our customers are within China, we are dependent on China's domestic demand for sports shoes and apparel. The spending propensities of our customers, in turn, are dependent on the economic conditions in China specifically and the world generally. Any prolonged and/or widespread economic downturn such as conditions relating to the recent global financial turmoil may reduce disposable income and consumer confidence, which may in turn adversely affect the domestic and global demand for sports shoes and apparel.

Notwithstanding this, shoes are consumer products and it is likely that consumer spending on shoes will still continue, albeit at a lower expenditure level during an economic slowdown. In addition, we believe that manufacturers with strong product quality, financial stability, and a diverse range of products and designs, such as us, will be in better position to withstand the impact of an economic slowdown.

In addition, the long-term growth of China's domestic economy will increase the affluence of consumers in China, which in turn may likely contribute to increasing demand for consumer goods, such as sports shoes and apparel.

Nevertheless, there is no assurance that we will not be adversely affected by any adverse changes in China's sports shoes and apparel market conditions (such as changes in spending patterns and purchasing power of consumers), which may be caused by unfavourable economic conditions. In such an event, our revenue, future performance and profitability may be adversely affected.

(ii) Absence of long-term contracts with customers

We currently do not have any formal long-term contracts with our customers. Notwithstanding this, the vast majority of our customers provide us with their memoranda of intent at the end of each year, stipulating their estimated orders for the coming year. Such information is intended to assist our planning and allocation of resources to meet the potential orders, and does not constitute confirmed orders. Hence, our Group's revenue is mainly generated on an order-by-order basis.

Despite the lack of formal long-term contracts, we have developed long-term business relationships with our customers. We have enjoyed the ongoing patronage of 13 customers for more than five (5) years.

These long-term relationships enable us to develop a good understanding of our customers' requirements and expectations, which serves as a foundation that encourages their ongoing patronage, and provide some assurance of business continuity from our existing customer base.

In addition, we have been proactively widening our customer base in order to limit our exposure to any single customer. Whilst reducing the risk of our operations being adversely affected should any of our customers discontinue or reduce their orders, this allows us to establish long-term relationships and leverage on the continued growth of a larger group of customers.

However, there is no assurance that our existing customer relationships will be maintained indefinitely. Should our customers decide to source for similar products from other suppliers or reduce their orders with us, we may be unable to secure sufficient additional orders to replace these lost and/or reduced orders. Consequently, our business and financial results may be adversely affected.

(iii) Failure to keep abreast with production technologies / market trends

Our continued success depends on our ability to keep abreast with advancements in production technologies as well as fashion and market trends. These are essential to our endeavours of introducing new and innovative products on a timely basis in tandem with current market demands, and producing competitively-priced, new and innovative products and designs with mass appeal to our target markets.

Whilst we constantly strive to develop and launch new product ranges and designs, such development processes involve considerable time and resource commitments. If any new product range or design that we launch in the future is not commercially viable or successful, our financial performance and market reputation may be adversely affected.

Further, despite our best efforts, there can be no assurance that we will be able to keep pace with advancements in production technologies, and continue to successfully develop products and designs with mass appeal or in tandem with fast-changing fashion trends.

In mitigation, our product development process is structured to ensure the relevance of our new product offerings. Sample prototypes are made for collective assessment by our R&D team together with our sales and marketing team. After collation of feedback, the commercial feasibility of each design is evaluated before new designs are finalised and approved for mass production.

(iv) Availability and cost of materials

Our ability to produce high quality products at competitive prices is dependent on our ability to acquire sufficient high quality raw materials at competitive prices. In the event that disruptions occur in the supply of raw materials, we may have to temporarily halt production.

As at LPD, we have yet to experience any material shortages in supply of raw materials that have required us to halt our production lines. However, there can be no assurance that disruptions in the supply of raw materials will not occur in the future and if any were to occur, our operations and/or financial performance may be adversely affected.

The principal raw materials used in the production of our sports shoes and apparel are generally produced from by-products of oil or natural rubber. As such, the prices of our raw materials are dependent on prices of oil and natural rubber, which are global commodities. Consequently, any fluctuations in global oil prices and changes in supply and demand of natural rubber will have an impact in the prices of our raw materials.

In mitigation, as our production facilities are located in Jinjiang City, Fujian Province, where there is a high concentration of suppliers of raw materials for the sports footwear manufacturing industry, we have easy access to a large pool of suppliers in close proximity to our production facilities.

Further, China has a significant oil and gas production industry, which serves as the feedstock for the manufacture of plastic resins and synthetic rubber. In addition, plastic resins and synthetic rubber are commodities and easily available in the world market. Thus, as our main raw materials are derived from commodities which are readily available in China and other countries, the threat from shortage of supply of our key raw materials is minimised.

While all sports shoes manufacturers will be similarly affected by increases in the prices of raw materials and we believe that we are able to pass on any prolonged price increase of raw material costs to our customers, there can be no assurance that such cost increases can be passed on to customers whether in part or in whole. In the event that we are unable to pass on such additional costs, our profit margins may be adversely affected and this would likely have a corresponding adverse impact on our financial performance.

(v) Dependence of key personnel and skilled workforce

The success of our Group is dependent upon the abilities and continued efforts of our Executive Directors, key management team and skilled personnel. Our continued success to soundly manage our business operations and competitive strategy in the future depends on our experienced senior management team headed by our Board.

Our management team's extensive knowledge and experience serves as the foundation for our development and growth, and will continue to propel the future expansion of our Group. Another key factor to our success is the continued services of our skilled workers who are mainly responsible for quality control and R&D. They play an integral role in maintaining the high quality of our products and our design and development prowess.

Therefore, our continued success is dependent, to a large extent, on our ability to retain the services of our Executive Directors, key management and skilled workforce.

(vi) Competition

We face competition from other sports shoes and apparel producers, be it our existing competitors, other smaller-scale manufacturers or new competitors who seek to penetrate markets where we have established a presence.

The global sportswear market is dominated by internationally renowned brand owners such as Nike, Reebok, Puma, ASICS, and Adidas whilst locally, established brands like LiNing, Xtep, ANTA and 361° are also prominently featured in the PRC market. Rising income levels and consumer affluence increased the affordability of more expensive global and locally established brands of sportswear in the PRC.

Local operators have some advantages over global brands in terms of tailoring their products to suit local consumer tastes as global brands have to take into consideration the needs of the wider international market. Sports shoes, as with many other consumer products, are highly driven by branding and brand recognition. As such, local operators with strong brands are in a better position to compete effectively compared to operators that do not invest in brand development.

Increased competition may result in lower prices, reduced profit margins, loss of market share and/or increased difficulty in market penetration, any of which could materially and adversely affect our operations and/or financial results.

Although competition continues to exist in the industry, the barriers to entry for the manufacture of sports shoes and apparel are relatively high, primarily due to the high cost of capital investment and the R&D, brand recognition building and technology required to produce, market and sell high-quality sports shoes and apparel. Due to economies of scale and the investment in specialised production equipment and moulding technology, larger operators such as our Group have an advantage over smaller players in achieving cost efficiencies and producing high quality shoe soles.

Nevertheless, we will continue to take measures to refine our delivery in terms of reliability and quality, improve our management systems and operational processes, and develop innovative marketing and positioning strategies to fulfil market needs, in order to protect and augment the strength of our industry and market reputation and differentiate ourselves from other players in the market.

Notwithstanding the above, while our management believes that our strategies and team of experienced key personnel will enable our Group to remain competitive in the future, there can be no assurance that our performance will not be affected by competition and that we will be able to compete successfully against existing or new competitors in the future.

(vii) Foreign Exchange Risk

The value of RMB against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. The People's Bank of China (acting as the Central Bank of PRC) reformed the exchange rate regime on 21 July 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies and the RMB is no longer pegged to the US dollar. Futhermore, on 23 September 2005, the PBOC widened the daily trading band for RMB against non-US. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries for the PRC to adopt a more flexible currency system that could lead to further appreciation of the RMB. The RMB may be revalued further against foreign currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against foreign currencies.

Since our revenues and profit are denominated in RMB, any depreciation of RMB would materially and adversely affect our financial position and the value of any dividends payable on our Shares in foreign currency terms, as well as our ability to service any of our foreign currency obligations (if any). Also, any appreciation of RMB may result in funds raised by our Company in RM, when converted into RMB, being less than that required by our Group.

(viii) Political, Economic and Regulatory Risks

Our business, prospects, financial condition and level of profitability may be affected by developments in the economic, political and regulatory environment in China. Any adverse developments or uncertainties in the political, economic and regulatory environment in China could materially and/or adversely affect our profitability business prospects, and the industry in which we operate.

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Such uncertainties include (but are not limited to) risk of war, global economic downturn, expropriation, changes in political leadership, changes in investment policies, unfavourable changes in government policies especially those applicable to the industries in which our Group operates, changes in interest rates, methods and rates of taxation, exchange controls, labour laws, regulations, duties and tariffs.

Further, globalisation has resulted in situations where economic and market challenges in a single country or region are increasingly affecting other countries. An emergence of such situations may adversely affect global economic conditions and world markets, which could result in a chain reaction and thus could adversely affect our businesses.

Although we endeavour to practice efficient operating procedures and prudent financial management, and review our business development and operational strategies in anticipation and response to the political, economic and regulatory conditions in China, there can be no assurance that adverse political, economic and regulatory developments, which are beyond our control, will not materially affect our performance or our industry as a whole.

(ix) Availability of funds to sustain operations and growth

Whilst we have been financing our expansion using funds raised from our initial public offering in 2009, private placement exercise in 2011 and 2012 and rights issue of warrants in 2012, a significant proportion of our expansion as well as daily operations have been financed through internally-generated funds. There is no assurance, however, that we will be able to sustain our operations and continued growth via internal resources. In event that there are insufficient internal resources and we are unable to obtain loans or other credit facilities, we may not be able to implement business and operational strategies to sustain our growth.

Notwithstanding the above, our initial public offering has enabled us to tap the capital markets to meet long-term funding requirements as and when the need arises. The effective usage of the capital markets may facilitate the procurement of relatively more cost-effective sources of funds as compared to loans and/or credit facilities. Nonetheless, there is no assurance that our performance and prospects will not be materially affected by any difficulties we may face in the timely sourcing of funds, which may affect the timely implementation of our operational and strategic plans.

(x) Delay in completion of the proposed Stage 2 Building

Construction of the Stage 2 Building is expected to commence in the second quarter of 2014 and is expected to complete within three (3) years. Currently, the proposed building plan for the construction has been submitted to the relevant authorities for assessment. However, there is no assurance that such approval will be forthcoming in a timely manner. For example, the approval process may be prolonged if the relevant authorities require further modifications to the building plan or further feasibility studies conducted. In a more extreme scenario, the building plan may be rejected. In such an event, the expected completion of the Stage 2 Building construction will be delayed as we will have to resubmit a modified or new building plan for re-assessment. Nevertheless, we do not expect such delays to obstruct the eventual completion of the Stage 2 Building as the proposed site is located within Jinjiang City's new commercial zone which have been designated for construction of real estate. In the event of any delays, the proceeds earmarked for the construction of the Stage 2 Building may be placed into low-risk, short-term liquid assets such as fixed deposits.

6. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

Information in the ensuing Sections 6.1 and 6.2 has been extracted from recent available government publications or other publicly available sources.

6.1 Overview and Prospects of China's Economy

In the first three quarters of 2013, the PRC estimated it posted a real Gross Domestic Product ("**GDP**") of RMB38,676.2 billion or an increase of 7.7%.

Urban and rural resident's income also continued to rise. In the first three quarters, the per capita total income of urban households was RMB22,068. Specifically, the per capita disposable income of urban households was RMB20,169, which represented a year-on-year growth of 9.5 percent, or a real growth of 6.8 percent after deducting price factors.

The growth in China was mainly driven by domestic demand, higher income and government stimulus measures. As a result, economic activity expanded at a faster pace at 7.8%.

Exports for the first three quarters of 2013 was 3,060.4 billion US dollars, which was a year-on-year growth of 7.7 percent. The total value of exports was 1,614.9 billion US dollars, up by 8.0 percent, while imports was 1,445.5 billion US dollars, up by 7.3 percent. The trade surplus was 169.4 billion US dollars.

(Source: Overall Economic Development Enjoyed Momentum of Steady Growth in the First Three Quarters of 2013, National Bureau of Statistics of China)

Consumer goods / domestic retail sector

The retail industry enjoyed steady growth in market sales with growth rate in rural areas faster than in urban areas. In the first three quarters, the total retail sales of consumer goods reached RMB16,881.7 billion, an increase of 12.9 percent, or 0.2 percentage point higher than that in the first half of the year. If analysed by different areas, the retail sales in urban areas reached RMB14,579.9 billion, up by 12.7 percent, and that in rural areas stood at RMB2,301.8 billion, up by 14.5 percent. In September, the total retail sales of consumer goods rose by 13.3 percent year-on-year (a real growth of 11.2 percent after deducting price factors), and the month-on-month growth was 1.24 percent.

(Source: Overall Economic Development Enjoyed Momentum of Steady Growth in the First Three Quarters of 2013, National Bureau of Statistics of China)

In October 2013, the total retail sales of consumer goods reached RMB2,149.1 billion, up by 13.3 percent year-on-year. From January to October, retail sales of goods was RMB16,970.9 billion, up by 13.5 percent. Of this, garments, footwear, hats and knitwear consisted of RMB103.3 billion.

(Source: Total Retail Sales of Consumer Goods in October 2013, National Bureau of Statistics of China)

6.2 Prospects of our Group

Based on the XDL Group's sales registered in FYE 31 December 2012, the management estimates that the Group has less than 1% share of the footwear industry in China. Sportswear consumers in China may be segregated into three (3) levels depending on their locality. Consumers from Tier-1 cities (e.g. Beijing, Shenzhen, Shanghai and Guangzhou) generally have the highest spending propensities compared to consumers from Tier-2 cities (e.g. Tianjin, Chengdu, Xi'an and Xiamen) and consumers from Tier-3 cities (e.g. Foshan, Wuxi, Xuzhou and Tangshan). Among the various global brands available in China include Nike, Reebok, Puma, ASICS and Adidas whilst the PRC homegrown brands include, amongst others, Li-Ning, Anta, 361, X-Step, Deerway, CBA and XiDeLang. The Group targets youths between the ages of 15 to 35, predominantly residing in Tier-2 and Tier-3 cities. In light of the competition it faces, XDL lists the following as some of its success factors in remaining competitive:-

(a) For innovative product designs, the Group shall continue its policy to recruit talented and promising designers to strengthen its in-house product development and design team, enabling it to have full control in creating innovative designs to keep up with the latest trends and designs that will appeal to target consumers, whilst allowing it to respond quickly to anticipated evolving trends and consumer preferences;

(b) The next critical area is the Group's commitment to quality. It shall continue to apply stringent quality controls in manufacturing processes with recognised international standards and quality accreditations such as the ISO9001:2000 Quality Management System. In addition, all production staff are required to undergo training which covers, amongst others, quality control policies, targets and procedures; and

(c) Next, advertising and promotion to enhance the Group's branding. Significant emphasis is placed to create brand awareness and acceptance. The Group has been building the 'XiDeLang' brand since 1993 and hopes to maintain a brand that is fresh, trendy and synonymous with fashion-leading sportswear.

Furthermore, the Group is aware of the industry's dynamic consumer trends and is committed to staying vigilant on the industry's development and reacting swiftly to market changes. It uses resources effectively to ensure a steady and sustainable development of the Group's operations in the long term. The Group adopts a prudent approach to minimise risk exposures and stay full alert and responsive to the changing market environment.

The Group believes that the current market conditions present both risks and opportunities and hence, it will emphasise efforts to strengthen its core competencies so that it will be in a better position to tap any future opportunities and manage the industry risks that it may face. Areas that will be emphasised include:-

(a) strengthening brand management to enhance the distinctive image of 'XiDeLang' brand as a trendy and fashion-leading sportswear brand through delivery of quality products and integrated advertising and promotional activities;

(b) monitoring distribution and retail network, where the Group will coordinate with authorised distributors to consolidate less efficient retail points and to reallocate resources to expand to areas with promising growth prospects;

(c) diversifying product portfolio through continual R&D, to ensure new models with innovative and aesthetic design are launched periodically to cater to the fast-changing consumers' taste and preference;

(d) enhancing the production capacity and production efficiency. The Group's relocation of its operations to the new D&P Centre with more production lines will enable it to significantly reduce the volume of shoes outsourced, thereby allowing the Group better control in terms of quality. This will also allow the Group to capitalise on the expected increase in demand for its future 'XiDeLang' products. The Group estimates that annual cost savings from the reduction in the volume of shoes outsourced subsequent to the relocation of its operation to its new D&P Centre to be approximately RMB10.0 million per annum (approximately RM5.3 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD). For information purposes, as at 30 November 2013, the Group outsourced approximately 10.7% of its shoes production to third party producer;

(e) the increased capacity will also provide the platform for the Group to step-up its efforts to secure larger OEM contracts with various established global brands. This represents a favourable prospect for the Group as it expects growth opportunities in the OEM business, which will provide an additional stable income stream.

For information purposes, the following are XDL's current OEM customers for shoes:-

(i) Xiamen Han Long Trading Co. Ltd. (厦门瀚龙贸易有限公司);

(ii) Xiamen Zhong Yu Investment Co. Ltd. (厦门中雨投资有限公司);

(iii) Fujian Yi Wei Trading Co. Ltd. (福建省亿炜贸易有限公司);

(iv) Xiamen Bao Xin Enterprise Co. Ltd. (厦门宝欣企业有限公司);

(v) Xiamen Yuan Yue Import-Export Co. Ltd. (厦门市源越进出口有限公司);

(vi) Xiamen De Long Import-Export Co. Ltd. (厦门得龙进出口有限公司);

(vii) Xiamen Jia Lian Heng Import-Export Co. Ltd. (厦门嘉联恒进出口有限公司);

(viii) Xiamen Xing Hai Trading Co. Ltd. (厦门星海盛贸易有限公司);

(ix) Kai Ying (Fujian) Import-Export Co. Ltd. (凯盈（福建）进出口有限公司);

(x) Xiamen Tian Yu Import-Export Co. Ltd. (厦门天誉进出口有限公司);

(xi) Xiamen Lin Xuan Import-Export Co. Ltd. (厦门霖轩进出口有限公司);

(xii) Xiamen Jin Xin Long Import-Export Co. Ltd. (厦门市金信隆进出口有限公司);

(xiii) Xiamen Zhong Xin Long Import-Export Co. Ltd. (厦门市中信隆进出口有限公司);

(xiv) Fujian Jin Dun Trading and Development Co. Ltd. (福建省金顿贸易发展有限公司); and

(xv) Xiamen Long Ping Shoes Co. Ltd. (厦门隆品鞋业有限公司).

These OEM customers carry brands such as Lotto, Zara, Jump, Guess, Goodyear and Airwalk. As at 30 September 2013, sales of OEM shoes (in value) made up approximately 41% of the Group's total sales of shoes.

In arriving at the prospects of the Group, the Board has taken into consideration the prevailing conditions and outlook of China's economy as well as China's sportswear industry as discussed above. In view of China's growing per capita disposable income, the Board is positive that the demand for sports shoes, apparel, accessories and equipment will continue to grow. The Board believes that with its competitive strengths, coupled with the abovementioned efforts, its prospects for the coming financial year appears positive barring the occurrence of any unforeseen unfavourable circumstances.

(Source: Management of XDL)

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7. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

For illustrative purposes, the proforma effects of the Rights Issue are set out below:-

7.1 Share Capital

The proforma effects of the Rights Issue on the issued and paid-up share capital of our Company are as follows:-

	Undertaking Scenario			Entitlement Scenario		
	No. of Shares	[1]Share Capital (USD)	[2]Share Capital (RM)	No. of Shares	[1]Share Capital (USD)	[2]Share Capital (RM)
Issued and paid-up share capital as at LPD[3]	725,996,850	72,599,685	240,213,267	725,996,850	72,599,685	240,213,267
Rights Shares to be issued pursuant to the Rights Issue	121,300,000	12,130,000	38,925,170	241,998,950	24,199,895	77,657,463
Bonus Shares to be issued pursuant to the Rights Issue	90,975,000	9,097,500	29,193,878	181,499,212	18,149,921	58,243,096
	938,271,850	93,827,185	308,332,315	1,149,495,012	114,949,501	376,113,826
Shares to be issued assuming full exercise of the Warrants 2014 under the Rights Issue	90,975,000	9,097,500	29,193,878	181,499,212	18,149,921	58,243,096
Enlarged issued and paid-up share capital	**1,029,246,850**	**102,924,685**	**337,526,193**	**1,330,994,224**	**133,099,422**	**434,356,922**

Notes:-

(1) *Par value of XDL Shares at USD0.10 each.*

(2) *For illustrative purposes, all RM figures were translated based on BNM's exchange rate of USD1:RM3.2090 as at LPD except the issued and paid-up share capital as at LPD which was translated at historical exchange rates on the respective issuance date of the Shares.*

(3) *Excluding the 1,000 Treasury Shares which are assumed not to be resold in the market as at LPD.*

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7.2 NA and Gearing

The proforma effects of the Rights Issue on the NA and gearing of our Group are as follows:-

Undertaking Scenario

	Audited as at 30 September 2013		(I) [1]After the Rights Issue		(II) [2]After (I) and upon full exercise of the Warrants 2014	
	RMB'000	[3]RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital[4]	488,281	240,214	617,613	308,333	673,041	337,527
Share premium	-	-	6,702	3,530	15,182	7,997
Other reserves[5]	(182,456)	(77,391)	(182,456)	(77,391)	(182,456)	(77,391)
Warrants reserves	25,151	13,390	28,605	15,210	25,151	13,390
Retained earnings	632,808	336,906	[6]572,027	[6]304,892	572,027	304,892
Shareholders' equity / NA	963,784	513,119	1,042,491	554,574	1,102,945	586,415
NA per Share (RMB / RM)	1.33	0.71	1.11	0.59	1.07	0.57
No. of Shares in issue ('000)[4]	725,997	725,997	938,272	938,272	1,029,247	1,029,247
Total borrowings	-	-	-	-	-	-
Gearing (times)	-	-	-	-	-	-

Notes:-

(1) *Based on the issue price of RM0.35 per Rights Share.*

(2) *Based on the exercise price of RM0.35 per Warrant 2014.*

(3) *Translated based on BNM's exchange rate of RMB1:RM0.5324 as at 30 September 2013 except the share capital which was translated at historical exchange rates on the respective issuance date of the Shares.*

(4) *Including the 1,000 Treasury Shares which are assumed not to be resold in the market as at LPD.*

(5) *Other reserves comprise merger deficit, exchange translation reserve and treasury shares, all of which are in debit balance of RMB204,906,000, RMB2,660,000 and RMB1,000 respectively (RM109,091,954, RM1,416,184 and RM532 based on BNM's exchange rate of RMB1:RM0.5324 as at 30 September 2013) as well as statutory surplus reserves, which is in credit balance of RMB25,111,000 (RM13,369,096 based on BNM's exchange rate of RMB1:RM0.5324 as at 30 September 2013).*

(6) *After deducting estimated expenses incidental to the Proposals of RM1.0 million (RMB1.9 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD).*

Entitlement Scenario

	Audited as at 30 September 2013		(I) [1]After the Rights Issue		(II) [2]After (I) and upon full exercise of the Warrants 2014	
	RMB'000	[3]RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital[4]	488,281	240,214	746,304	376,115	856,885	434,358
Share premium	-	-	13,370	7,042	30,290	15,954
Other reserves[5]	(182,456)	(77,391)	(182,456)	(77,391)	(182,456)	(77,391)
Warrants reserves	25,151	13,390	32,043	17,020	25,151	13,390
Retained earnings	632,808	336,906	[6]513,436	[6]274,033	513,436	274,033
Shareholders' equity / NA	963,784	513,119	1,122,697	596,819	1,243,306	660,344
NA per Share (RMB / RM)	1.33	0.71	0.98	0.52	0.93	0.50
No. of Shares in issue ('000)[4]	725,997	725,997	1,149,495	1,149,495	1,330,994	1,330,994
Total borrowings	-	-	-	-	-	-
Gearing (times)	-	-	-	-	-	-

Notes:-

(1) Based on the issue price of RM0.35 per Rights Share.

(2) Based on the exercise price of RM0.35 per Warrant 2014.

(3) Translated based on BNM's exchange rate of RMB1:RM0.5324 as at 30 September 2013 except the share capital which was translated at historical exchange rates on the respective issuance date of the Shares.

(4) Including the 1,000 Treasury Shares which are assumed not to be resold in the market as at LPD.

(5) Other reserves comprise merger deficit, exchange translation reserve and 1,000 treasury shares which are assumed not to be resold in the market, all of which are in debit balance of RMB204,906,000, RMB2,660,000 and RMB1,000 respectively (RM109,091,954, RM1,416,184 and RM532 based on BNM's exchange rate of RMB1:RM0.5324 as at 30 September 2013) as well as statutory surplus reserves, which is in credit balance of RMB25,111,000 (RM13,369,096 based on BNM's exchange rate of RMB1:RM0.5324 as at 30 September 2013).

(6) After deducting estimated expenses incidental to the Proposals of RM1.0 million (RMB1.9 million based on BNM's exchange rate of RMB1:RM0.5267 as at LPD).

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7.3 Earnings and EPS

The Rights Issue is not expected to have any immediate material effect on the consolidated earnings of the Group for the FYE 31 December 2013 as its completion is in the first quarter of FYE 2014.

The EPS of the Group is expected to be diluted as a result of the increase in the number of Shares pursuant to the issuance of Rights Shares and Bonus Shares as well as the new Shares arising from the exercise of the Warrants 2014.

The potential effect of the exercise of the Warrants 2014 on the future consolidated earnings and EPS of the Group will depend upon, amongst others, the number of Warrants 2014 exercised at any point in time.

Although the EPS shall be correspondingly diluted as a result of the increase in the number of Shares in issue pursuant to the Rights Issue, the Rights Issue is expected to contribute positively to the Group's consolidated earnings thereafter through the utilisation of the proceeds from the issuance of Rights Shares for construction of the Stage 2 Building as well as proceeds from the exercise of the Warrants 2014 for future working capital purposes.

7.4 Convertible securities

The implementation of the Rights Issue will give rise to certain adjustments to the existing Warrants 2012 in accordance with the provisions of the deed poll dated 15 March 2012 governing the Warrants 2012. This is to ensure that the status of the holders of the existing Warrants 2012 is not prejudiced due to the Rights Issue. Such adjustments are effective on the next Market Day following the Entitlement Date for the Rights Issue. A notice to the Warrant 2012 holders explaining the mechanism of the adjustments will be issued by XDL.

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8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working capital

Our Board is of the opinion that, after taking into account the funds generated from our operations, the banking facilities available to our Group as well as the proceeds to be raised from the Rights Issue, our Group will have sufficient working capital available for a period of twelve (12) months from the date of this Abridged Prospectus.

8.2 Borrowings

As at LPD, our Group's total outstanding borrowings (all of which are interest bearing) are denominated in the following currencies set out below:-

	Amount in RMB'000	Amount in [1][2]RM'000
Short-term borrowings (payable within twelve (12) months)		
Secured	10,000	5,267
Unsecured	-	-
Total short-term borrowings	10,000	5,267
Long-term borrowings (payable after twelve (12) months)		
nil	-	-
Total long-term borrowings	-	-

Notes:-

(1) *The borrowings in foreign currency were translated into RM for illustrative purposes only. Such translations should not be construed as representations that the foreign currency amounts referred to could have been, or could be, converted into RM, at that or any other rate at all.*

(2) *Based on an exchange rate of RMB1:RM0.5267 as at LPD.*

However, the Group has on 28 September 2013 secured a six (6) year bank facility from the Industrial and Commercial Bank of China (Jinjiang branch) of RMB130 million for the construction of Stage 2 Building with an interest calculated based on 10% of the People's Bank of China's base interest rate ("PBC-BIR") plus PBC-BIR. Based on the PBC-BIR of 6.55% per annum (for term loan of five (5) years and above) as at LPD, the interest rate for the bank facility amounts of 7.205% per annum. As at LPD, this bank facility has not been utilised.

Other than disclosed above, our Group does not have any other borrowings. There has not been any default on payments of either interest and/or principal sums on any of the above borrowings throughout the past one (1) financial year, and subsequent financial period up to LPD.

8.3 Contingent Liabilities

As at LPD, there are no contingent liabilities which upon becoming due or enforceable may have a material impact on our Group's financial position.

8.4 Material Commitments

Save as disclosed below, as at LPD, there are no material commitments which upon becoming due or enforceable may have a material impact on our Group's financial position:-

	Amount	
	RMB'000	[(1)]RM'000
Capital commitments		
Capital expenditure in respect of purchase of purchase of property, plant and equipment		
- contracted but not provided for	-	-
- approved but not contracted for	54,746	28,835
	54,746	**28,835**

Note:-

(1) Translated based on the closing exchange rate of RMB1:RM0.5267 as at LPD

The above capital commitments will be funded by internally generated funds and/or bank borrowings.

9. INSTRUCTIONS FOR ACCEPTANCE AND PAYMENT

Full instructions for the acceptance of and payment for the Provisional Allotments as well as Excess Rights Share Applications and the procedures to be followed should you and/or your transferee(s) and/or your renouncee(s) (if applicable) wish to sell or transfer all or any part of your/his rights entitlement are set out in this Abridged Prospectus and the RSF. You and/or your transferee(s) and/or your renouncee(s) (if applicable) are advised to read this Abridged Prospectus, the RSF and the notes and instructions printed therein carefully. In accordance with Section 232(2) of the CMSA, the RSF must not be circulated unless accompanied by this Abridged Prospectus.

Acceptance of and/or payment for the Provisional Allotments which do not conform strictly to the terms of this Abridged Prospectus, the RSF or the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of our Board.

9.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments that you are entitled to subscribe for in full or in part under the terms and conditions of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares that you have been provisionally allotted as well as to apply for Excess Rights Shares if you choose to do so. This Abridged Prospectus and the RSF are also available at your stockbroker, our Registered Office in Malaysia, our Malaysian Share Registrar or on Bursa Securities' website (http://www.bursamalaysia.com).

9.2 NPA

The Provisional Allotments are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the NPA will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your transferee(s) and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making the applications for the Rights Shares.

9.3 Procedures for Acceptance and Payment

Acceptance of and payment for the Provisional Allotments allotted to you must be made on the RSF issued together with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus, the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement to the Provisional Allotments, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to our Malaysian Share Registrar, Tricor Investor Services Sdn Bhd, at the following address:-

Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Tel: +603 - 2264 3883
Fax: +603 - 2282 1886

so as to arrive not later than 5.00 p.m. on **Thursday, 9 January 2014**, being the last date and time for the acceptance and payment for the Rights Shares, or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any other reason require another copy of the RSF, you may obtain additional copies from your stockbroker, our Registered Office in Malaysia, our Malaysian Share Registrar or Bursa Securities' website (http://www.bursamalaysia.com).

One (1) RSF must be used for acceptance of the Provisional Allotments standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of Provisional Allotments standing to the credit of more than one (1) CDS Account. The Rights Shares accepted by you will be credited into the CDS Account(s) where the Provisional Allotments are standing to the credit.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Malaysian Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Fraction of a Rights Share arising from the Rights Issue will be disregarded and the aggregate of such fractions shall be dealt with in such manner that our Board in its absolute discretion, deem fit and expedient and in the best interest of our Company.

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Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of a Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and which must be made payable to **"XDL RIGHTS ISSUE ACCOUNT"**, crossed **"ACCOUNT PAYEE ONLY"** and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by our Malaysian Share Registrar by 5.00 p.m. on **Thursday, 9 January 2014** (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time). The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR MALAYSIAN SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREE(S) AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

If acceptance of and payment for the Provisional Allotments allotted to you (whether in full or in part, as the case may be) are not received by our Malaysian Share Registrar by 5.00 p.m. on 9 January 2014 (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time), the provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Malaysian Share Registrar.

Our Board will then have the right to allot any Rights Shares not taken up or not validly taken up to applicants applying for the Excess Rights Shares in the manner as set out in Section 9.6 of this Abridged Prospectus.

9.4 Procedures for Part Acceptance

If you do not wish to accept the Rights Shares provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed/applied for. The minimum number of Rights Shares that may be accepted is 1 Rights Share whilst the minimum number of Bonus Shares and Warrants that can be issued and allotted with the accepted Rights Shares is 1 Bonus Share and 1 Warrant respectively. Fractions of a Rights Share, Bonus Share and Warrant arising from the Rights Issue will be disregarded and the aggregate of such fractions shall be dealt with as our Board may at its absolute discretion deem fit and expedient and in the best interests of our Company. Applicants should take note that a trading board lot comprises one hundred (100) Shares and one hundred (100) Warrants respectively.

You must complete both Part I(A) of the RSF by specifying the number of Rights Shares which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Malaysian Share Registrar in the same manner as set out in Section 9.3 of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

9.5 Procedures for Sale or Transfer of Provisional Allotments

As the Provisional Allotments are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Allotments to one (1) or more persons, you may do so through your stockbroker during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Allotments, you may sell such entitlement on the open market during the period up to the last date and time for sale of the Provisional Allotments (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository during period up to the last date and time for transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENTS, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.

If you have sold or transferred only part of the Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Parts I(A) and II of the RSF and delivering the RSF together with the full amount payable on the balance of the Rights Shares applied for to the Malaysian Share Registrar. Please refer to Section 9.3 of this Abridged Prospectus for the procedures for acceptance and payment.

YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR MALAYSIAN SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

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9.6 Procedures for the Excess Rights Shares Application

If you wish to apply for additional Rights Shares in excess of your entitlement, you may do so by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it with a separate remittance made in RM for the full amount payable for the Excess Rights Shares applied for, to our Malaysian Share Registrar so as to arrive not later than 5.00 p.m. on **Thursday, 9 January 2014**, being the last time and date for Excess Rights Share Applications and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time).

Payment for the Excess Rights Share Application(s) be made in the same manner as set out in Section 9.3 of this Abridged Prospectus except that the Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia must be made payable to **"XDL EXCESS RIGHTS ACCOUNT"**, crossed **"ACCOUNT PAYEE ONLY"** and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by our Malaysian Share Registrar by 5.00 p.m. on **Thursday, 9 January 2014** (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time). The payment must be made for the exact amount payable for the Excess Rights Share Application(s). Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:-

(i) to minimise the incidence of odd lots;

(ii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares, taking into consideration their respective shareholdings as at the Entitlement Date on a board lot basis;

(iii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares, taking into consideration the quantum of their respective Excess Rights Share Applications; and

(iv) on a pro-rata basis to the transferee(s) and/or renouncee(s) who have applied for Excess Rights Shares, based on the quantum of their respective Excess Rights Shares application.

Notwithstanding the foregoing, our Board reserves the right to allot any Excess Rights Shares applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interests of our Company, subject always to such allocations be in a fair and equitable basis and that the intention of the Board as set out above are achieved. Our Board also reserves the right to allot any Excess Rights Shares Application, in full or in part, without assigning any reason thereof.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS RIGHTS SHARE APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

EXCESS RIGHTS SHARE APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARE APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

9.7 Procedures to be followed by Transferee(s) and/or Renouncee(s)

As a transferee and/or renouncee, the procedures for acceptance, selling or transferring of Provisional Allotments, applying for the Excess Rights Shares and/or payment is the same as that which is applicable to Entitled Shareholders as described in Sections 9.3 to 9.6 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed. If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you can request the same from your stockbroker, our Registered Office in Malaysia, our Malaysian Share Registrar or Bursa Securities' website (http://www.bursamalaysia.com).

TRANSFEREE(S) AND/OR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

9.8 CDS Account

Bursa Securities has already prescribed the Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the new securities arising from the Rights Issue are prescribed securities and, as such, all dealings with such securities will be by book entries through CDS Accounts and shall be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares. Failure to comply with these specific instructions or inaccuracy of the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares shall signify your consent to receiving such Rights Shares as deposited securities that will be credited directly into your CDS Account. No physical certificates will be issued. All Excess Rights Shares allotted shall be credited directly into the CDS Accounts of successful applicants. If you have multiple CDS Accounts into which the Provisional Allotments have been credited, you cannot use a single RSF to accept all these Provisional Allotments. Separate RSFs must be used for acceptance of Provisional Allotments credited into separate CDS Accounts. If successful, the Rights Shares that you subscribed for will be credited into the CDS Accounts where the Provisional Allotments are standing to the credit.

9.9 Foreign-Addressed Shareholders

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction other than Malaysia, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The distribution of this Abridged Prospectus, the NPA and the RSF, as well as the acceptance of the Provisional Allotments and the subscription for or the acquisition of the Rights Shares may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdiction under the relevant laws of those countries or jurisdictions.

This Abridged Prospectus, the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue will not be made or offered or deemed made or offered for acquisition or subscription of any Rights Shares, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Abridged Prospectus relates is only available to Entitled Shareholders receiving this Abridged Prospectus, the NPA and the RSF electronically or otherwise within Malaysia.

As a result, this Abridged Prospectus, the NPA and the RSF have not been (and will not be) sent to our Foreign-Addressed Shareholders. However, Foreign-Addressed Shareholders may collect this Abridged Prospectus, the NPA and the RSF from our Malaysian Share Registrar, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this Abridged Prospectus, the NPA and the RSF.

If you are a Foreign-Addressed Shareholder, our Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia or an address for service in Malaysia if not otherwise stated on our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you had accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

A Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) may only accept or renounce all or any part of his/their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and our Company, our Board and officers, Mercury Securities and/or the advisers named herein ("**Parties**") would not, in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or might be subject to.

The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) shall be solely responsible to seek advice from his/their legal and/or professional advisers as to whether the acceptance or renunciation in any manner whatsoever of his entitlement under the Rights Issue would result in the contravention of the laws of the countries or jurisdictions to which he/they is/are or might be subject to. The Parties shall not accept any responsibility or liability in the event any acceptance or renunciation made by any Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of his/their entitlements or to any net proceeds thereof.

Our Company reserves the right, in our absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Rights Shares available for excess application by other Entitled Shareholders and/or their transferee(s) and/or their renouncee(s).

Each person, by accepting the delivery of this Abridged Prospectus, the NPA and the RSF, accepting any Provisional Allotments by signing any of the forms accompanying this Abridged Prospectus or subscribing for or acquiring the Rights Shares, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:-

(i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Entitled Shareholder and/or his transferee(s) and/or his renouncee(s) is or might be subject to;

(ii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) has complied with the laws to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) is or might be subject to in connection with the acceptance or renunciation;

(iii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Allotments, be in breach of the laws of any jurisdiction to which that person is or might be subject to;

(iv) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) is/are aware that the Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any other way in accordance with all applicable laws in Malaysia;

(v) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) has/have obtained a copy of this Abridged Prospectus and has/have read and understood the contents of this Abridged Prospectus, has/have had access to such financial and other information and has/have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) deem(s) necessary in connection with the Foreign-Addressed Shareholder and/or his transferee and/or his renouncee's decision to subscribe for or purchase the Rights Shares; and

(vi) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) has/have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of purchasing the Rights Shares, and is/are and will be able, and is/are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN-ADDRESSED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE TO THEM. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

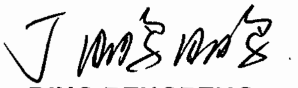
10. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions set out in this Abridged Prospectus and the accompanying NPA and RSF.

11. FURTHER INFORMATION

You are advised to refer to the attached Appendices for further information.

Yours faithfully
For and on behalf of our Board
XIDELANG HOLDINGS LTD



DING PENGPENG
Managing Director / Chief Executive Officer

XIDELANG HOLDINGS LTD
(Bermuda Company No. 43136)
(Incorporated in Bermuda)
(Malaysian Foreign Company Registration No. 995210-W)
("XDL" or "Company")

CERTIFIED TRUE EXTRACT OF MINUTES OF THE SPECIAL GENERAL MEETING OF THE COMPANY HELD AT DEWAN PUTRA PERDANA 2 & CENTRE, LEVEL 1, PUTRAJAYA SHANGRI-LA HOTEL, TAMAN PUTRA PERDANA, PRESINT 1, 62000 WILAYAH PERSEKUTUAN, PUTRAJAYA ON MONDAY, 9 DECEMBER 2013 AT 10.00 A.M.

1. ORDINARY RESOLUTION 1
PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 322,665,266 NEW ORDINARY SHARES OF USD0.10 EACH IN XDL ("XDL SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.35 PER RIGHTS SHARE, TOGETHER WITH UP TO 241,998,950 FREE DETACHABLE WARRANTS IN XDL ("WARRANTS 2014") AND AN ATTACHED BONUS ISSUE OF UP TO 241,998,950 NEW XDL SHARES ("BONUS SHARES") TO BE CREDITED AS FULLY PAID-UP AT PAR, ON THE BASIS OF FOUR (4) RIGHTS SHARES TOGETHER WITH THREE (3) FREE WARRANTS 2014 AND THREE (3) BONUS SHARES FOR EVERY TWELVE (12) EXISTING XDL SHARES HELD AS AT AN ENTITLEMENT DATE TO BE DETERMINED ("PROPOSED RIGHTS ISSUE")

After due discussion, it was RESOLVED THAT subject to the passing of the Special Resolution No. 1 below and the approval of all relevant authorities or parties being obtained (if required):-

(a) the Board of Directors of XDL ("Board") be and is hereby authorised:-

(i) to provisionally allot and issue by way of a renounceable rights issue of up to 322,665,266 Rights Shares at an issue price of RM0.35 per Rights Share, together with up to 241,998,950 Warrants 2014 and an attached bonus issue of up to 241,998,950 Bonus Shares to be credited as fully paid up to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board ("Entitlement Date") ("Entitled Shareholders"), and/or their renouncee(s), on the basis of four (4) Rights Shares for every twelve (12) existing Shares held and three (3) free Warrants 2014 and three (3) Bonus Shares for every four (4) Rights Shares subscribed for on the Entitlement Date and on such terms and conditions and in such manner as the Board may determine;

(ii) to issue by way of bonus the Warrants 2014 in registered form to the Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants (defined below), if any, who subscribe for and are allotted Rights Shares, each Warrant 2014 conferring the right to subscribe for one (1) new Share at an exercise price of RM0.35 per Share, subject to any adjustment to the subscription rights attached to the Warrants 2014 in accordance with the provisions of a deed poll to be executed by the Company constituting the Warrants 2014 ("Deed Poll"); and

(iii) to issue the Bonus Shares by way of bonus to the Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants, if any, who subscribe for and are allotted Rights Shares on such terms and conditions and in such manner as the Board may determine;

(b) any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s) shall be made available for excess applications in such manner and to such persons ("Excess Applicants") as the Board shall determine at its absolute discretion;

(c) the Rights Shares, the Warrants 2014, the Bonus Shares and the new Shares to be issued pursuant to the exercise of the Warrants 2014 shall be listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities");

(d) the Board be and is hereby empowered and authorised to:-

(i) forthwith upon the allotment and issue of the Rights Shares to the Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants, if any:-

(I) create, allot and issue by way of bonus such number of Warrants 2014 to such Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants, if any, pursuant to the terms and conditions of the Deed Poll; and

(II) allot and issue by way of bonus three (3) Bonus Shares credited as fully paid up at par to such Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants, if any,

for every four (4) Rights Shares subscribed for by the Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants, if any, on such Entitlement Date, and on the terms and conditions and in such manner as the Board may determine;

(ii) allot and issue such number of additional Warrants 2014 pursuant to the adjustments as provided under the Deed Poll ("Additional Warrants

2014") and to adjust from time to time the exercise price of the Warrants 2014 as a consequence of the adjustments under the provisions of the Deed Poll and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by Bursa Securities and any other relevant authorities or parties (if required);

(iii) allot and issue such number of new Shares credited as fully paid-up to the holders of the Warrants 2014 upon their exercise of the relevant Warrants 2014 to subscribe for new Shares during the tenure of the Warrants 2014, and such further new Shares as may be required or permitted to be issued pursuant the exercise of the Additional Warrants 2014 and such adjustments in accordance with the provisions of the Deed Poll;

(iv) capitalise and apply all sums standing to the credit of the Company's retained earnings account based on the audited financial statements of the Company as at 31 December 2012, the unaudited financial statements of the Company as at 30 June 2013 as well as after accounting for the subsequent dividends received from its subsidiaries, for the allotment and issue of up to 241,998,950 Bonus Shares, credited as fully paid-up at par, to the Entitled Shareholders (and/or their renouncee(s), as the case may be) and Excess Applicants, if any, who subscribe for and are allotted Rights Shares;

(v) deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner and on such terms and conditions as the Board shall in its absolute discretion deem fit, necessary and/or expedient or in the best interests of the Company (including without limitation to disregard such fractional entitlements altogether);

(vi) enter into the Deed Poll with full powers to assent to and accept any condition, modification, variation and/or amendment as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of any of the aforesaid conditions, modifications, variations and/or amendments and to take all steps as it considers necessary, expedient or desirable to implement, finalise and give full effect to the Deed Poll; and

(vii) do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue in order to implement and give full effect to the Proposed Rights Issue;

(e) the Rights Shares and the Bonus Shares shall, upon allotment, issuance and (where applicable) full payment, rank *pari passu* in all respects with the then existing issued and paid-up Shares, save and except that the holders of such Rights Shares and Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders of the Company ("Shareholders"), the entitlement date of which is prior to the respective date(s) of allotment of the Rights Shares and Bonus Shares;

(f) the new Shares to be issued pursuant to the exercise of the Warrants 2014 (including the Additional Warrants 2014, if any) shall, upon allotment, issue and full payment of the exercise price of the Warrants 2014 (or the Additional Warrants 2014, if any), rank pari passu in all respects with the then existing issued and fully paid-up Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new Shares arising from the exercise of the Warrants 2014 (including the Additional Warrants 2014, if any);

(g) the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in Section 4 of the Circular to Shareholders dated 15 November 2013 and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject (where required) to the approval of the relevant authorities; and

(h) this Ordinary Resolution constitutes specific approval for the issuance of Shares and securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants 2014 (including Additional Warrants 2014, if any), Bonus Shares and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue have been allotted and issued in accordance with the terms of the Proposed Rights Issue.

2. SPECIAL RESOLUTION 1
PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY ("PROPOSED AMENDMENTS")

It was RESOLVED THAT subject to the approval of all the relevant authorities or parties (if required) being obtained, approval be and is hereby given for the Company to carry out the following proposed amendments to the Bye-Laws of the Company to enable the Company to implement the proposed issuance of Bonus Shares under the Proposed Rights Issue as envisaged in Ordinary Resolution 1:-

<u>(i) PROPOSED AMENDMENTS TO BYE-LAW 146:</u>

The existing Bye-law 146 be amended by inserting the text shown in bold in the manner set out below:-

"146. **(1)** The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.

(2) In addition, the Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among selected Members or part only of a class of Members (each, and collectively, the "Entitled Members") and in

such proportion as may be determined in accordance with the manner authorised in the said ordinary resolution, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Entitled Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up to such Entitled Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Entitled Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act."

(ii) PROPOSED AMENDMENTS TO BYE-LAW 147:

The existing Bye-law 147 be amended by inserting the text shown in bold in the manner set out below:-

"147. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members **or Entitled Members, as the case may be,** in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members **or the Entitled Members, as the case may be.**"

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Amendments, with full powers to assent to and accept any condition, modification, variation and/or amendment in connection with the Proposed Amendments as the Board may deem fit, necessary and/or expedient in the interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as it considers necessary in connection with the Proposed Amendments in order to implement and give full effect to the Proposed Amendments.

XIDELANG HOLDINGS LTD
(Bermuda Company No. 43136)
(Malaysian Foreign Company Registration No. 995210-W)
EXTRACT OF MINUTES OF THE SPECIAL GENERAL MEETING OF THE COMPANY HELD ON 9 DECEMBER 2013

CERTIFIED TRUE EXTRACT

DING LIHONG
(DIRECTOR)

DING PENGPENG
(DIRECTOR)

Dated: 12 DEC 2013

1. HISTORY AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Bermuda under the Bermuda Companies Act on 17 April 2009 as an exempted company limited by shares. On 12 August 2009, we registered our Company with the ROC in Malaysia as a foreign company in Malaysia. Our Company became the holding company of our Group on 9 July 2009.

Our Company was subsequently listed on 11 November 2009 on the Main Market of Bursa Securities under the sector of Consumer Products.

Our Company is principally an investment holding company. Our Group is principally involved in brand management and marketing of sports shoes, apparel, accessories and equipment, supported by in-house product development and design, and manufacturing of sports shoes. The principal activities of our Company's subsidiaries are described in Section 5 of this Appendix.

2. SHARE CAPITAL

Our Company's authorised share capital, and issued and paid-up share capital as at LPD are as follows:-

	No. of Shares	Par value USD	Total USD
Authorised share capital	3,000,000,000	0.10	300,000,000
Issued and paid-up share capital	725,997,850 [(1)]	0.10	72,599,785

Note:-

(1) Includes 1,000 Treasury Shares held by our Company as at LPD, which XDL has confirmed that it will not resell any part of this Treasury Shares from LPD up to the Entitlement Date.

Details of the changes in our Company's issued and fully paid-up share capital for the last three (3) years prior to LPD are as follows:-

Date of allotment	No. of Shares allotted	Par Value USD	Consideration / Type of Issue	Cumulative issued and paid-up share capital USD
05.05.2009	10	0.10	Cash	1.00
09.07.2009	299,999,990	0.10	Cash	30,000,000
05.11.2009	100,000,000	0.10	Cash	40,000,000
17.01.2011	20,000,000	0.10	Cash	42,000,000
31.01.2011	19,999,900	0.10	Cash	43,999,990
17.02.2012	39,000,000	0.10	Cash	47,899,990
29.02.2012	4,999,000	0.10	Cash	48,399,890
29.03.2012	241,998,950	0.10	Bonus Issue	72,599,785

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3. Substantial Shareholders' Shareholdings

The substantial Shareholders of our Company based on the Register of Substantial Shareholders as at LPD and the proforma effect of the Rights Issue on their shareholdings, are as follows:-

Undertaking Scenario

Substantial Shareholders	Existing shareholdings as at LPD				(I) After Rights Issue				(II) After (I) and assuming full exercise of the Warrants 2014			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	[(1)]%	No. of Shares	[(1)]%	No. of Shares	[(2)]%	No. of Shares	[(2)]%	No. of Shares	[(3)]%	No. of Shares	[(3)]%
HongPeng	363,900,000	50.12	-	-	576,175,000	61.41	-	-	667,150,000	64.82	-	-
Ding PengPeng	-	-	363,900,000[(4)]	50.12	-	-	576,175,000[(4)]	61.41	-	-	667,150,000	64.82

Notes:-

(1) *Based on the issued and paid-up share capital (excluding 1,000 Treasury Shares) of 725,996,850 Shares as at LPD.*

(2) *Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 938,271,850 Shares, under the Undertaking Scenario.*

(3) *Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 1,029,246,850 Shares, under the Undertaking Scenario.*

(4) *Deemed interested by virtue of his interest in HongPeng pursuant to Section 6A of the Act.*

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Entitlement Scenario

Substantial Shareholders	Existing shareholdings as at LPD				(I) After Rights Issue				(II) After (I) and assuming full exercise of the Warrants 2014			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(3)%	No. of Shares	(3)%
HongPeng	363,900,000	50.12	-	-	576,175,000	50.12	-	-	667,150,000	53.78	-	-
Ding PengPeng	-	-	363,900,000(4)	50.12	-	-	576,175,000(4)	50.12	-	-	667,150,000(4)	53.78

Notes:-

(1) *Based on the issued and paid-up share capital (excluding 1,000 Treasury Shares) of 725,996,850 Shares as at LPD.*
(2) *Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 1,149,495,013 Shares, under the Entitlement Scenario.*
(3) *Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 1,240,470,013 Shares, under the Entitlement Scenario.*
(4) *Deemed interested by virtue of his interest in HongPeng pursuant to Section 6A of the Act.*

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4. DIRECTORS

The details of our Board as at LPD are set out in the table below:-

Name *(Designation)*	Age	Address	Nationality	Profession
Ding LiHong *(Executive Chairman)*	40	Room 803, Building 2 No.140, Dongtu Street Fengze District, Quanzhou City Fujian Province PRC	Chinese	Company Director
Ding PengPeng *(Managing Director and Chief Executive Officer)*	38	No. 210, Xingzhen North Road Hua Ting Kou Village Chendai Town, Jinjiang City Fujian Province PRC	Chinese	Company Director
Ding PengWan *(Executive Director and Chief Operating Officer)*	36	No. 102, Xingzhen North Road Hua Ting Kou Village Chendai County, Jinjiang City Fujian Province PRC	Chinese	Company Director
Wong Yoke Nyen *(Independent Non-Executive Director)*	54	48, Jalan 17/33 Taman Tan Sri Lee Yan Lian 46400 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Zhu GuoHe *(Senior Independent Non-Executive Director)*	43	Room 301, Block 2 Yuantaiyuan No.105, Xiangyuan Road Fengze District, Quanzhou City Fujian Province PRC	Chinese	Company Director
Woon Yeow Thong *(Independent Non-Executive Director)*	47	No. 100, Lorong Duyung 2/2 Taman Duyung 70200 Seremban Negeri Sembilan Darul Khusus Malaysia	Malaysian	Company Director / Advocate and Solicitor

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Save as disclosed below, none of our Company's Directors have any direct and/or indirect shareholding in our Company as at LPD.

Undertaking Scenario

	Existing shareholdings as at LPD				(I) After Rights Issue				(II) After (I) and assuming full exercise of the Warrants 2014			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	[1]%	No. of Shares	[1]%	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%
Ding LiHong	-	-	-	-	-	-	-	-	-	-	-	-
Ding PengPeng	-	-	[4]363,900,000	50.12	-	-	[4]576,175,000	61.41	-	-	[4]667,150,000	64.82
Ding PengWan	-	-	-	-	-	-	-	-	-	-	-	-
Wong Yoke Nyen	-	-	-	-	-	-	-	-	-	-	-	-
Zhu GuoHe	-	-	-	-	-	-	-	-	-	-	-	-
Woon Yeow Thong	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

(1) *Based on the issued and paid-up share capital (excluding 1,000 Treasury Shares) of 725,996,850 Shares as at LPD.*
(2) *Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 938,270,850 Shares.*
(3) *Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 1,029,245,850 Shares.*
(4) *Deemed interested by virtue of his interest in HongPeng.*

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Entitlement Scenario

	Existing shareholdings as at LPD				(I) After Rights Issue				(II) After (I) and assuming full exercise of the Warrants 2014			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(3)%	No. of Shares	(3)%
Ding LiHong	-	-	-	-	-	-	-	-	-	-	-	-
Ding PengPeng	-	-	(4)363,900,000	50.12	-	-	(4)576,175,000	50.12	-	-	(4)667,150,000	53.78
Ding PengWan	-	-	-	-	-	-	-	-	-	-	-	-
Wong Yoke Nyen	-	-	-	-	-	-	-	-	-	-	-	-
Zhu GuoHe	-	-	-	-	-	-	-	-	-	-	-	-
Woon Yeow Thong	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

(1) Based on the issued and paid-up share capital (excluding 1,000 Treasury Shares) of 725,996,850 Shares as at LPD.
(2) Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 1,149,495,012 Shares, under the Entitlement Scenario.
(3) Based on the enlarged issued and paid-up share capital (excluding 1,000 Treasury Shares) of 1,240,470,012 Shares, under the Entitlement Scenario.
(4) Deemed interested by virtue of his interest in HongPeng pursuant to Section 6A of the Act.

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5. SUBSIDIARIES

Our Company's subsidiaries as at LPD are as follows:-

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Xin Yuan Chan	19 June 2008; Hong Kong	Hong Kong Dollar 10,000	100	Investment holding
HongPeng (Fujian) Shoes & Garments Co, Ltd ("**HongPeng (Fujian)**")	29 November 1996; PRC	RMB51,560,000	100	Design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co, Ltd ("**HongPeng Footwear**")	10 May 1993; PRC	RMB37,000,000	100	Design, manufacturing and marketing of sports shoes
XiDeLang Sports Goods Co, Ltd	24 July 1995; PRC	RMB36,000,000	100	The registered scope of business under its business license is manufacturing of shoes and apparel. Since its incorporation and up to the date of these financial statements, XiDeLang Sports Goods Co, Ltd has not engaged in any manufacturing activity. However, it is the registered owner of our Group's proprietary 'XiDeLang' brand

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6. PROFIT AND DIVIDEND RECORD

Our Group's audited consolidated results for the three (3) FYEs 31 December 2010, 2011 and 2012 as well as the audited financial results for FPE 30 September 2013 and unaudited financial results FPE 30 September 2012 are as follows:-

	Audited								Unaudited	
	FYE 31 December 2010		FYE 31 December 2011		FYE 31 December 2012		FPE 30 September 2013		FPE 30 September 2012	
	RMB'000[(1)]	RM'000	RMB'000[(1)]	RM'000	RMB'000	RM'000[(1)]	RMB'000	RM'000[(1)]	RMB'000	RM'000[(1)]
Revenue	883,011	465,082	1,027,630	541,253	947,398	498,995	468,001	246,496	738,507	388,972
Cost of sales	(596,013)	(313,920)	(720,516)	(379,496)	(657,551)	(346,332)	(343,948)	(181,157)	(507,321)	(267,206)
Gross profit	286,998	151,162	307,114	161,757	289,847	152,663	124,053	65,339	231,186	121,766
Other income	608	320	1,892	997	2,225	1,172	4,056	2,136	966	509
Distribution costs	(61,620)	(32,455)	(39,274)	(20,686)	(37,440)	(19,720)	(12,399)	(6,531)	(29,536)	(15,557)
Administration and other expenses	(19,187)	(10,106)	(24,306)	(12,802)	(29,710)	(15,648)	(20,395)	(10,742)	(19,565)	(10,305)
Finance costs	(4,069)	(2,143)	(3,444)	(1,814)	(2,297)	(1,210)	(423)	(223)	(2,121)	(1,117)
PBT	202,730	106,778	241,982	127,452	222,625	117,257	94,892	49,979	180,930	95,296
Tax expense	(54,803)	(28,865)	(61,188)	(32,228)	(56,837)	(29,936)	(24,725)	(13,023)	(45,919)	(24,186)
PAT	147,927	77,913	180,794	95,224	165,788	87,321	70,167	36,956	135,011	71,110
Other comprehensive income:										
Foreign currency translations	(24,619)	(12,967)	(901)	(475)	(285)	(150)	(2,287)	(1,205)	(456)	(240)
Other comprehensive income, net of tax	(24,619)	(12,967)	(901)	(475)	(285)	(150)	(2,287)	(1,205)	(456)	(240)
Total comprehensive income	123,308	64,946	179,893	94,749	165,503	87,171	67,880	35,751	134,555	70,870
Profit attributable to owners of the parent:	147,927	77,913	180,794	95,224	165,788	87,321	70,167	36,956	135,011	71,110
Total comprehensive income attributable to owners of the parent:	123,308	64,946	179,893	94,749	165,503	87,171	67,880	35,751	134,555	70,870
EBITDA	207,891	109,496	246,336	129,745	225,525	118,784	103,655	54,595	183,511	96,655
Gross profit margin (%)	33%	33%	30%	30%	31%	31%	27%	27%	31%	31%

	Audited								Unaudited	
	FYE 31 December 2010		FYE 31 December 2011		FYE 31 December 2012		FPE 30 September 2013		FPE 30 September 2012	
	RMB'000[(1)]	RM'000	RMB'000[(1)]	RM'000	RMB'000	RM'000[(1)]	RMB'000	RM'000[(1)]	RMB'000	RM'000[(1)]
PAT margin (%)	17%	17%	18%	18%	17%	17%	15%	15%	18%	18%
Weighted average number of Shares in issue ('000)	400,000	400,000	656,931	656,931	716,457	716,457	725,998	725,998	716,457	716,457
Earnings per Share -Basic (RMB / RM)	0.3698	0.1948	0.2752	0.1450	0.2314	0.1219	0.0966	0.0509	0.1884	0.0993
-Diluted (RMB / RM)	0.3698	0.1948	0.2752	0.1450	0.2314	0.1219	0.0966	0.0509	0.1884	0.0993
Dividend per Share, net of tax (RMB / RM)	0.0214	0.0110	-	-	0.0098	0.0051	-	-	-	-

Notes:-

(1) *Translation exchange rate for illustrative and comparative purposes is based on BNM's exchange rate of RMB1:RM0.5267 as at LPD.*

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Commentaries:-

FYE 31 December 2010

Our Group achieved revenue of approximately RM465.1 million during the financial year, an approximate growth of 20.8% from the preceding financial year. Our PAT was approximately RM77.9 million, an approximate growth of 14.3% from the preceding financial year.

Our Group's financial performance for the current financial year was largely boosted by the improvement in sales of both HongPeng (Fujian) and HongPeng Footwear due to the close relationship with the authorised distributors. Support provided to distributors includes new outlet subsidy scheme and partial reimbursement of advertising cost incurred by the individual distributors. Positive growth of the distributors contributed directly to the improved performance of the Group.

FYE 31 December 2011

Our Group achieved revenue of approximately RM541.4 million for the financial year, which is approximately 16.4% higher when compared to last year. The increase in sales growth for the current financial year was primarily due to increase in sales volume and average selling price of casual shoes, sport accessories and sport shoes. OEM sales have increased significantly by 78% when compared to last year.

Lower gross profit margin achieved by our Group in the financial year was mainly attributable to inflated material costs and labour costs where the additional production cost burden was unable to be fully passed on to consumers, in view of the increasing prudent spending habit and value-for money perception of end consumers.

In line with our overall higher PBT, our Group's PAT for the financial year increased by approximately 22.2% to approximately RM95.2 million from RM77.9 million in the preceding year.

FYE 31 December 2012

Our Group achieved revenue of approximately RMB947.4 million during the financial year, which is approximately 7.8% lower when compared to the preceding financial year. Gross profit inched down by 5.6% to RMB289.8 million, as compared to RMB307.1 million in preceding year. Excessive inventory piled up at retail stores, due to an overall slowdown in consumer demand for the period, has resulted in sales to distributors to decrease by 12% during the financial year. However, the decrease was cushioned by the increased OEM sales by 26% amounting to RMB 26.8 million, as well as increased average selling price of 4.8% from RMB62.38 to RMB65.36. Besides that, prudent and conservative spending sentiments among consumers and intensified industry competition are also factors that adversely impacted revenue during the year.

However, gross profit margin stood at 30.6%, showing an improvement as compared to 29.9% recorded in the preceding year. This improvement was mainly attributable to cost-savings from lower average unit cost of outsourced production for sports shoes, as well as upwards revision of pricing for new sports shoe models launched during the financial year.

Audited FPE 30 September 2013

Our Group achieved revenue of approximately RMB468.0 million during the financial period, which is approximately 36.6% or RMB270.5 million lower when compared to the previous corresponding financial period. The significant decline in sales, due to an overall slowdown in consumer demand for the period, has led to the decrease in sales volume and average selling price especially for the running shoes and tennis shoes segments.

Gross profit also decreased by 46.3% to RMB124.1 million as compared to the prior corresponding financial period. Gross profit margin stood at 26.5%, lower than the 31.3% achieved in last corresponding financial period, mainly attributable to negative growth in revenue and additional pressures from escalating labour and material costs.

Accordingly, our Group's PAT for the financial period also decreased by approximately 48.0% to approximately RM70.2 million from RM135.0 million in the last corresponding financial period.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of our Shares traded on Bursa Securities for the past twelve (12) months preceding the date of this Abridged Prospectus are as follows:-

	High RM	Low RM
2012		
December	0.200	0.190
2013		
January	0.210	0.185
February	0.190	0.180
March	0.205	0.180
April	0.200	0.180
May	0.215	0.180
June	0.195	0.175
July	0.200	0.180
August	0.240	0.195
September	0.270	0.220
October	0.435	0.250
November	0.425	0.315

Last transacted market price for our Shares on 27 September 2013, being the last Market Day immediately prior to the announcement of the Rights Issue	0.255
The last transacted market price for our Shares on 2 December 2013, being the LPD prior to the issuance of this Abridged Prospectus	0.330
The last transacted market price for our Shares on 18 December 2013, being the Market Day immediately prior to the ex-rights date for the Rights Issue	0.385

(Source: Bloomberg)

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BDO

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Malaysia

REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Prepared for inclusion in the Abridged Prospectus to the shareholders of XiDeLang Holdings Ltd)

Date: 12 December 2013

The Board of Directors
XiDeLang Holdings Ltd
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

c/o Hong Peng Building
Yangguang East Road
Hua Ting Kou Industrial Zone
Chendai County
Jinjiang City, Fujian Province
Peoples' Republic of China

Dear Sirs

XIDELANG HOLDINGS LTD ("XDL" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP") PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

XDL proposed to undertake, amongst others, the proposed renounceable rights issue of up to 241,998,950 new ordinary shares of USD0.10 each in XDL ("XDL Shares") ("Rights Shares") at an issue price of RM0.35 per Rights Share, together with up to 181,499,212 free detachable warrants in XDL ("Warrants 2014") and an attached bonus issue of up to 181,499,212 new XDL Shares ("Bonus Shares") to be credited as fully paid-up at par, on the basis of four (4) Rights Shares together with three (3) free Warrants 2014 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held at an entitlement date to be determined by the Board of Directors of the Company (hereinafter referred to as "Proposed Rights Issue").

We have completed our assurance engagement to report on the compilation of the proforma consolidated statements of financial position and the related notes of XDL as at 30 September 2013 prepared by the Directors, as set out in Appendix I of this letter (which we have stamped for the purpose of identification).

The applicable criteria on the basis of which XDL has compiled the proforma consolidated statements of financial position are described in notes to the proforma consolidated statements of financial position as at 30 September 2013.

The proforma consolidated statements of financial position have been compiled by the Directors to illustrate the impact of the Proposed Rights Issue on XDL's financial position as at 30 September 2013 as if the Proposed Rights Issue had taken place as at 30 September 2013 and for inclusion in the Abridged Prospectus to the shareholders in connection with the Proposed Rights Issue. As part of this process, information about the Group's financial position had been extracted by the Directors from the Group's audited interim financial statements for the period 1 January 2013 to 30 September 2013.

The Directors' Responsibility for the Proforma Consolidated Statements of Financial Position

The Directors are responsible for compiling the proforma consolidated statements of financial position on the basis set out in Appendix I of this letter.

BDO

Our responsibilities

Our responsibility is to express an opinion as to whether the proforma consolidated statements of financial position have been compiled, in all material respects, by the Directors on the basis set out in Appendix I of this letter.

We conducted our engagement in accordance with the International Standard on Assurance Engagements, ISAE 3420 Assurance *Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the proforma consolidated statements of financial position on the basis set out in Appendix I of this letter.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma consolidated statements of financial position.

The purpose of proforma consolidated statements of financial position included in the Abridged Prospectus to the shareholders of the Company is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated statements of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Company in the compilation of proforma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and
- The proforma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the proforma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma consolidated statements of financial position.

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

BDO

Opinion

In our opinion:

(i) the proforma consolidated statements of financial position of the Company, have been properly prepared by the Directors on the basis and assumptions as set out in Appendix I of this letter using the audited interim financial statements of the Group as at 30 September 2013 which are prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards as well as in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and

(ii) each material adjustment made to the information used in the preparation of the proforma consolidated statements of financial position is appropriate on the basis of the criteria used for the purpose of preparing the proforma consolidated statements of financial position.

This letter is issued for the sole purpose of inclusion in the Abridged Prospectus to shareholders in connection to the Proposed Rights Issue and should not be reproduced, referred to in any other documents, or used or relied upon for any other purposes. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon this letter, other than the Proposed Rights Issue described above.

Yours faithfully,

Bdo

BDO
AF: 0206
Chartered Accountants
Kuala Lumpur, Malaysia

Appendix 1

XIDELANG HOLDINGS LTD (Bermuda Company No. 43136)

Bermuda Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Tel : +1 (441) 295 1422
Fax : +1 (441) 292 4720

Head Office
Chendai Huating Kou Industrial Zone
Jinjiang City
Fujian Province
People's Republic of China
Tel : +86 (595) 8677 6888
Fax : +86 (595) 8677 7222

The proforma consolidated statements of financial position of XDL as at 30 September 2013 set out below is provided for illustrative purpose only to show the effects of the financial position of XDL as at 30 September 2013 had the events and the Proposed Rights Issue as disclosed in the notes to the proforma consolidated statements of financial position been effected on that date, and should be read in conjunction with the accompanying notes:

Undertaking Scenario

Presented in RMB

			Proforma I		Proforma II
	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	After Proforma I and Adjustment for full exercise of Warrants 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	585,511	78,707	664,218		664,218
Land use rights	53,069		53,069		53,059
Total non-current assets	**638,580**		**717,287**		**717,287**
CURRENT ASSETS					
Inventories	13,829		13,829		13,829
Trade and other receivables	204,443		204,443		204,443
Cash and cash equivalents	323,459	(7,250)	316,209	60,454	376,663
Total current assets	**541,731**		**534,481**		**594,935**
TOTAL ASSETS	**1,180,311**		**1,251,768**		**1,312,222**
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	488,281	129,332	617,613	55,428	673,041
Share premium	-	6,702	6,702	8,480	15,182
Retained earnings	632,808	(60,781)	572,027		572,027
Warrants reserve	25,151	3,454	28,605	(3,454)	25,151
Other reserves (1)	(182,456)		(182,456)		(182,456)
TOTAL EQUITY	963,784		1,042,491		1,102,945

Appendix 1 (Cont'd)

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Fujian Province
People's Republic of China
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Fax : +86 (595) 8677 7222

Undertaking Scenario (continued)
Presented in RMB

	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	Proforma I After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	Proforma II After Proforma I and Adjustment for full exercise of Warrants 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	27,443	(7,250)	20,193		20,193
Total non-current liabilities	27,443		20,193		20,193
CURRENT LIABILITIES					
Trade and other payables	165,429		165,429		165,429
Borrowings	10,000		10,000		10,000
Current tax liabilities	13,655		13,655		13,655
Total current liabilities	189,084		189,084		189,084
TOTAL LIABILITIES	216,527		209,277		209,277
TOTAL EQUITY AND LIABILITIES	1,180,311		1,251,768		1,312,222
Number of ordinary shares (2) ('000)	725,997	212,275	938,272	90,975	1,029,247
Net Assets (RMB'000)	963,784		1,042,491		1,102,945
Net Assets per ordinary share (RMB)	1.33		1.11		1.07

Stamped for the purpose of identification only.
12 DEC 2013
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

Appendix 1 (Cont'd)

XIDELANG HOLDINGS LTD (Bermuda Company No. 43136)

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Fax : +86 (595) 8677 7222

Undertaking Scenario (continued)

Presented in RM

	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	Proforma I After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	Proforma II After Proforma I and Adjustment for full exercise of Warrants 2014
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	311,726	41,455	353,181		353,181
Land use rights	28,254		28,254		28254
Total non-current assets	**339,980**		**381,435**		**381,435**
CURRENT ASSETS					
Inventories	7,363		7,363		7,363
Trade and other receivables	108,845		108,845		108,845
Cash and cash equivalents	172,210	(3,819)	168,391	31,841	200,232
Total current assets	**288,418**		**284,599**		**316,440**
TOTAL ASSETS	**628,398**		**666,034**		**697,875**
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	240,214	68,119	308,333	29,194	337,527
Share premium	-	3,530	3,530	4,467	7,997
Retained earnings	336,906	(32,014)	304,892		304,892
Warrants reserve	13,390	1,820	15,210	(1,820)	13,390
Other reserves [(1)]	(77,391)		(77,391)		(77,391)
TOTAL EQUITY	513,119		554,574		586,415

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Appendix 1 (Cont'd)

XIDELANG HOLDINGS LTD (Bermuda Company No. 43136)

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Undertaking Scenario (continued)
Presented in RM

	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	Proforma I After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	Proforma II After Proforma I and Adjustment for full exercise of Warrants 2014
	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	14,611	(3,819)	10,792		10,792
Total non-current liabilities	14,611		10,792		10,792
CURRENT LIABILITIES					
Trade and other payables	88,074		88,074		88,074
Borrowings	5,324		5,324		5,324
Current tax liabilities	7,270		7,270		7,270
Total current liabilities	100,668		100,668		100,668
TOTAL LIABILITIES	115,279		111,460		111,460
TOTAL EQUITY AND LIABILITIES	628,398		666,034		697,875
Number of ordinary shares (2) ('000)	725,997	212,275	938,272	90,975	1,029,247
Net Assets (RM'000)	513,119		554,574		586,415
Net Assets per ordinary share (RM)	0.71		0.59		0.57

The proforma consolidated financial statements in Ringgit Malaysia are shown for reference only and have been translated based on Bank Negara Malaysia ("BNM")'s exchange rate of RMB1:RM0.5267 on 2 December 2013, being the latest practicable date ("LPD") prior to the printing of the Abridged Prospectus to Shareholders ("Abridged Prospectus"), save for the audited consolidated statements of financial position as at 30 September 2013 which was translated based on BNM's exchange rate of RMB1:RM0.5324.

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Entitlement Scenario

Presented in RMB

			Proforma I		Proforma II
	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	After Proforma I and Adjustment for full exercise of Warrants 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	585,511	158,913	744,424		744,424
Land use rights	53,069		53,069		53,069
Total non-current assets	638,580		797,493		797,493
CURRENT ASSETS					
Inventories	13,829		13,829		13,829
Trade and other receivables	204,443		204,443		204,443
Cash and cash equivalents	323,459	(7,250)	316,209	120,609	436,818
Total current assets	541,731		534,481		655,090
TOTAL ASSETS	1,180,311		1,331,974		1,452,583
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	488,281	258,023	746,304	110,581	856,885
Share premium	-	13,370	13,370	16,920	30,290
Retained earnings	632,808	(119,372)	513,436		513,436
Warrants reserve	25,151	6,892	32,043	(6,892)	25,151
Other reserves [1]	(182,456)		(182,456)		(182,456)
TOTAL EQUITY	963,784		1,122,697		1,243,306

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Entitlement Scenario(continued)
Presented in RMB

	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	Proforma I After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	Proforma II After Proforma I and Adjustment for full exercise of Warrants 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	27,443	(7,250)	20,193		20,193
Total non-current liabilities	**27,443**		**20,193**		**20,193**
CURRENT LIABILITIES					
Trade and other payables	165,429		165,429		165,429
Borrowings	10,000		10,000		10,000
Current tax liabilities	13,655		13,655		13,655
Total current liabilities	**189,084**		**189,084**		**189,084**
TOTAL LIABILITIES	**216,527**		**209,277**		**209,277**
TOTAL EQUITY AND LIABILITIES	**1,180,311**		**1,331,974**		**1,452,583**
Number of ordinary shares (2) ('000)	725,997	423,498	1,149,495	181,499	1,330,994
Net Assets (RMB'000)	963,784		1,122,697		1,243,306
Net Assets per ordinary share (RMB)	1.33		0.98		0.93

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Entitlement Scenario (Continued)

Presented in RM

			Proforma I		Proforma II
	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	After Proforma I and Adjustment for full exercise of Warrants 2014
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	311,726	83,700	395,426		395,426
Land use rights	28,254		28,254		28,254
Total non-current assets	**339,980**		**423,680**		**423,680**
CURRENT ASSETS					
Inventories	7,363		7,363		7,363
Trade and other receivables	108,845		108,845		108,845
Cash and cash equivalents	172,210	(3,819)	168,391	63,525	231,916
Total current assets	**288,418**		**284,599**		**348,124**
TOTAL ASSETS	**628,398**		**708,279**		**771,804**
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	240,214	135,901	376,115	58,243	434,358
Share premium	-	7,042	7,042	8,912	15,954
Retained earnings	336,906	(62,873)	274,033		274,033
Warrants reserve	13,390	3,630	17,020	(3,630)	13,390
Other reserves [1]	(77,391)		(77,391)		(77,391)
TOTAL EQUITY	513,119		596,819		660,344

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Entitlement Scenario(continued)
Presented in RM

	Audited Consolidated Statements of Financial Position as at 30.9.2013	Adjustment for the Proposed Rights Issue	Proforma I After Adjustment for the Proposed Rights Issue	Adjustment for full exercise of Warrants 2014	Proforma II After Proforma I and Adjustment for full exercise of Warrants 2014
	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	14,611	(3,819)	10,792		10,792
Total non-current liabilities	14,611		10,792		10,792
CURRENT LIABILITIES					
Trade and other payables	88,074		88,074		88,074
Borrowings	5,324		5,324		5,324
Current tax liabilities	7,270		7,270		7,270
Total current liabilities	100,668		100,668		100,668
TOTAL LIABILITIES	115,279		111,460		111,460
TOTAL EQUITY AND LIABILITIES	628,398		708,279		771,804
Number of ordinary shares [(2)] ('000)	725,997	423,498	1,149,495	181,499	1,330,994
Net Assets (RM'000)	513,119		596,819		660,344
Net Assets per ordinary share (RM)	0.71		0.52		0.50

The proforma consolidated financial statements in Ringgit Malaysia are shown for reference only and have been translated based on Bank Negara Malaysia ("BNM")'s exchange rate of RMB1:RM0.5267 on 2 December 2013, being the latest practicable date ("LPD") prior to the printing of the Abridged Prospectus to Shareholders ("Abridged Prospectus"), save for the audited consolidated statements of financial position as at 30 September 2013 which was translated based on BNM's exchange rate of RMB1:RM0.5324.

Note:

(1) Other reserves comprise primarily merger deficit, exchange translation reserve and treasury shares, all of which are in debit balance as well as statutory surplus reserves, which is in credit balance.

(2) Excludes 1,000 treasury shares of RM0.48 each held by the Company.

(3) Translation exchange rate for illustrative purposes is based on BNM's exchange rate of US$1:RM3.2090 and RMB1:RM0.5267 as at LPD.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

1. Corporate Exercises

XDL proposed to undertake, amongst others, the proposed renounceable rights issue of up to 241,998,950 new ordinary shares of USD0.10 each in XDL ("XDL Shares") ("Rights Shares") at an issue price of RM0.35 per Rights Share, together with up to 181,499,212 free detachable warrants in XDL ("Warrants 2014") and an attached bonus issue of up to 181,499,212 new XDL Shares ("Bonus Shares") to be credited as fully paid-up at par, on the basis of four (4) Rights Shares together with three (3) free Warrants 2014 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held at an entitlement date to be determined by the Board of Directors of the XDL later (hereinafter referred to as "Proposed Rights Issue").

2. Basis of preparation

The proforma consolidated statements of financial position have been prepared for illustrative purpose only to provide information about the consolidated statements of financial position of XDL as at 30 September 2013 as if the Proposed Rights Issue stated in Note 1 above had been implemented and completed.

The proforma consolidated statements of financial position of XDL, for which the Board is solely responsible, have been prepared using the audited financial statements that have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3. Proforma Consolidated Statements of Financial Position

3.1 Undertaking Scenario: Assuming none of the 1,000 treasury shares as at LPD are resold, none of the 241,998,950 existing Warrants 2012/2015 as at LPD are exercised prior to the Entitlement Date and that, other than HongPeng International Holdings Limited, the ultimate holding company of XDL, none of the Entitled Shareholders and/or their renouncee(s) subscribe for their respective entitlements under the Proposed Rights Issue.

3.1.1 Proforma I

Proforma I incorporates the effects of the Proposed Rights Issue, details of which are stated in Note 1 above.

Based on the Undertaking Scenario, the Proposed Rights Issue will raise gross proceeds of up to approximately RM42.5 million (RMB80.6 million).

The Proposed Rights Issue has the following impact on the proforma consolidated statements of financial position of XDL:-

Undertaking Scenario	Increase/(Decrease)		Increase/(Decrease)	
	Effects on total assets RMB'000	Effects on total equity and liabilities RMB'000	Effects on total assets RM'000	Effects on total equity and liabilities RM'000
Cash and cash equivalents				
– Proceeds from issuance of Rights Shares	80,606	-	42,455	-
– Withholding tax to be paid[(1)]	(7,250)	-	(3,819)	-
Share capital				
– Rights Shares	-	73,904	-	38,925
– Bonus Shares	-	55,428	-	29,194
Share premium				
– Rights Shares	-	6,702	-	3,530
Retained earnings	-	(58,882)	-	(31,014)
Warrants reserve[(2)]	-	3,454	-	1,820
Deferred tax liabilities	-	(7,250)	-	(3,819)
	73,356	73,356	38,636	38,636

(1) Withholding tax of RMB7,250,000 (approximately RM3,819,000) has been paid upon declaration of dividends of approximately RMB145,000,000 (approximately RM76,372,000) to XDL via Hong Kong XinYuanChan International Holding Co., Ltd. by the Company's subsidiary in China, Hong Peng (Fujian) Shoes & Garments Co., Ltd for the purpose of the Proposed Bonus Issue.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013(CONT'D)

3.1.1 Proforma I (Cont'd)

The Proposed Rights Issue has the following impact on the proforma consolidated statements of financial position of XDL (cont'd):-

(2) The theoretical fair value of RM0.02 per Warrant is determined using the Black-Scholes option pricing model. The fair value of RM0.02 per Warrant is estimated based on the following assumptions:

(i)	Share price	RM0.24 per Share
(ii)	Exercise price	RM0.35 per Warrant
(iii)	Tenure	3 years
(iv)	Risk free interest rate	3.76%
(v)	Standard deviation	35.12%

Correspondingly, there will be a creation of warrants reserve of RMB3,454,000 (approximately RM1,820,000).

The gross proceeds from the Proposed Rights Issue are expected to be utilised in the following manner:-

	Undertaking Scenario RMB'000	Undertaking Scenario RM'000
Construction of the second stage of the new Design & Production ("D&P) Centre	78,707	41,455
Estimated expenses in relation to the Proposed Rights Issue(1)	1,899	1,000
	80,606	42,455

Note:

(3) The estimated expenses in relation to the Proposed Rights Issue are as follows:

	RM'000
Estimated professional fees	*850*
Estimated fees payable to the relevant authorities	*100*
Estimated printing cost and miscellaneous expenses	*50*
	1,000

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Undertaking Scenario	Increase/(Decrease)		Increase/(Decrease)	
	Effects on total assets RMB'000	Effects on total equity and liabilities RMB'000	Effects on total assets RM'000	Effects on total equity and liabilities RM'000
Property, plant and equipment	78,707	-	41,455	-
Cash and cash equivalents	(80,606)	-	(42,455)	-
Retained earnings	-	(1,899)	-	(1,000)
	(1,899)	(1,899)	(1,000)	(1,000)

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1.2 Proforma II

Proforma II incorporates the cumulative effects of the Proforma I and the full exercise of 90,975,000 Warrants 2014 at the exercise price of RM0.35 per Warrant 2014.

The exercise of 90,975,000 Warrants 2014 will have the following impact on the proforma consolidated statements of financial position of XDL:-

Undertaking Scenario	Increase/(Decrease)		Increase/(Decrease)	
	Effects on total assets RMB'000	Effects on total equity and liabilities RMB'000	Effects on total assets RM'000	Effects on total equity and liabilities RM'000
Cash and cash equivalents	60,454	-	31,841	-
Share capital	-	55,428	-	29,194
Share premium	-	8,480	-	4,467
Warrants reserve	-	(3,454)	-	(1,820)
	60,454	60,454	31,841	31,841

3.2 Entitlement Scenario: Assuming none of the 1,000 Treasury Shares as at LPD, are resold, none of the 241,998,950 existing Warrants 2012/2015 as at LPD are exercised prior to the Entitlement Date and that, all of the entitled Shareholders and/or their renouncee(s) subscribe for their respective entitlements under the Proposed Rights Issue.

3.2.1 Proforma I

Proforma I incorporates the effects of the Proposed Rights Issue, details of which are stated in Note 1 above.

Based on the Entitlement Scenario, the Proposed Rights Issue will raise gross proceeds of up to approximately RM84.7 million (RMB160.8 million).

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.2.1 Proforma I (Cont'd)

The Proposed Rights Issue has the following impact on the proforma consolidated statements of financial position of XDL:-

Entitlement Scenario	Increase/(Decrease)		Increase/(Decrease)	
	Effects on total assets RMB'000	Effects on total equity and liabilities RMB'000	Effects on total assets RM'000	Effects on total equity and liabilities RM'000
Cash and cash equivalents				
– Proceeds from issuance of Rights Shares	160,812	-	84,700	-
– Withholding tax to be paid[1]	(7,250)	-	(3,819)	-
Share capital				
– Rights Shares	-	147,442	-	77,658
– Bonus Shares	-	110,581	-	58,243
Share premium				
– Rights Shares	-	13,370	-	7,042
Retained earnings	-	(117,473)	-	(61,873)
Warrants reserve[2]	-	6,892	-	3,630
Deferred tax liabilities	-	(7,250)	-	(3,819)
	153,562	153,562	80,881	80,881

(1) Withholding tax of RMB7,250,000 (approximately RM3,819,000) has been paid upon declaration of dividends of approximately RMB145,000,000 (approximately RM76,372,000) to XDL via Hong Kong XinYuanChan International Holding Co., Ltd. by the Company's subsidiary in China, Hong Peng (Fujian) Shoes & Garments Co., Ltd for the purpose of the Proposed Bonus Issue.

(4) The theoretical fair value of RM0.02 per Warrant is determined using the Black-Scholes option pricing model. The fair value of RM0.02 per Warrant is estimated based on the following assumptions:

(i)	Share price	RM0.24 per Share
(ii)	Exercise price	RM0.35 per Warrant
(iii)	Tenure	3 years
(iv)	Risk free interest rate	3.76%
(v)	Standard deviation	35.12%

Correspondingly, there will be a creation of warrants reserve of RMB6,892,000 (approximately RM3,630,000).

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.2.1 Proforma I (Cont'd)

The Proposed Rights Issue has the following impact on the proforma consolidated statements of financial position of XDL (cont'd):-

The gross proceeds from the Proposed Rights Issue are expected to be utilised in the following manner:-

	Entitlement Scenario RMB'000	Entitlement Scenario RM'000
Construction of the second stage of the new Design & Production Centre	158,913	83,700
Estimated expenses in relation to the Proposed Rights Issue[1]	1,899	1,000
	160,812	84,700

Note:

[1] *The estimated expenses in relation to the Proposed Rights Issue are as follows:*

	RM'000
Estimated professional fees	*850*
Estimated fees payable to the relevant authorities	*100*
Estimated printing cost and miscellaneous expenses	*50*
	1,000

If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for the construction of the second stage of the new D&P Centre. Conversely, any surplus of funds following payment of expenses will be utilised for the construction of the second stage of the new D&P Centre.

[2] *Any proceeds raised from the Proposed Rights Issue in addition to that under the Undertaking Scenario will be allocated to fund the construction of the second stage of the new D&P Centre.*

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Entitlement Scenario	Increase/(Decrease)		Increase/(Decrease)	
	Effects on total assets RMB'000	Effects on total equity and liabilities RMB'000	Effects on total assets RM'000	Effects on total equity and liabilities RM'000
Property, Plant and equipment	158,913	-	83,700	-
Cash and cash equivalents	(160,812)	-	(84,700)	-
Retained earnings	-	(1,899)	-	(1,000)
	(1,899)	(1,899)	(1,000)	(1,000)

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.2.2 Proforma II

Proforma II incorporates the cumulative effects of the Proforma I and the full exercise of 181,499,213 Warrants 2014 at the exercise price of RM0.35 per Warrant 2014.

The exercise of 181,499,213 Warrants 2014 will have the following impact on the proforma consolidated statements of financial position of XDL:-

Entitlement Scenario	Increase/(Decrease)		Increase/(Decrease	
	Effects on total assets RMB'000	Effects on total equity and liabilities RMB'000	Effects on total assets RM'000	Effects on total equity and liabilities RM'000
Cash and cash equivalents	120,609	-	63,525	-
Share capital	-	110,581	-	58,243
Share premium	-	16,920	-	8,912
Warrants reserve	-	(6,892)	-	(3,630)
	120,609	120,609	63,525	63,525

Stamped for the purpose of identification only.
12 DEC 2013
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

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Appendix 1 (Cont'd)

XIDELANG HOLDINGS LTD (Bermuda Company No. 43136)

Bermuda Registered Office
Clarendon House
2 Church Street
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Fax : +1 (441) 292 4720

Head Office
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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

4. Share capital, share premium and other reserves

Presented in RMB
The movements of the issued and paid-up share capital, share premium, and other reserves of the XDL Group are as follows:-

Undertaking Scenario	Number of ordinary shares '000	Par value USD	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange translation reserve RMB'000	Retained earnings RMB'000	Merger deficit RMB'000	Treasury shares RMB'000	Warrants reserve RMB'000	Total RMB'000
Audited Consolidated Statements of financial Position as at 30.9.2013	725,997	0.10	488,281	-	25,111	(2,660)	632,808	(204,906)	(1)	25,151	963,784
Proposed Rights Issue	212,275	0.10	129,332	6,702	-	-	(60,781)	-	-	3,454	78,707
As per Proforma I	938,272	0.10	617,613	6,702	25,111	(2,660)	572,027	(204,906)	(1)	28,605	1,042,491
Full exercise of Warrants 2014	90,975	0.10	55,428	8,480	-	-	-	-	-	(3,454)	60,454
As per Proforma II	1,029,247	0.10	673,041	15,182	25,111	(2,660)	572,027	(204,906)	(1)	25,151	1,102,945

Appendix 1 (Cont'd)

XIDELANG HOLDINGS LTD (Bermuda Company No. 43136)

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

4. Share capital, share premium and other reserves (cont'd)

The movements of the issued and paid-up share capital, share premium, and other reserves of the XDL Group are as follows (cont'd):-

Entitlement Scenario	Number of ordinary shares	Par value	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Retained earnings	Merger deficit	Treasury shares	Warrants reserve	Total
	'000	USD	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Audited Consolidated Statements of financial Position as at 30.9.2013	725,997	0.10	488,281	-	25,111	(2,660)	632,808	(204,906)	(1)	25,151	963,784
Proposed Rights Issue	423,498	0.10	258,023	13,370	-	-	(119,372)	-	-	6,892	158,913
As per Proforma I	1,149,495	0.10	746,304	13,370	25,111	(2,660)	513,436	(204,906)	(1)	32,043	1,122,697
Full exercise of Warrants 2014	181,499	0.10	110,581	16,920	-	-	-	-	-	(6,892)	120,609
As per Proforma II	1,330,994	0.10	856,885	30,290	25,111	(2,660)	513,436	(204,906)	(1)	25,151	1,243,306

Appendix 1 (Cont'd)

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

4. Share capital, share premium and other reserves

Presented in RM

The movements of the issued and paid-up share capital, share premium, and other reserves of the XDL Group are as follows:-

Undertaking Scenario	Number of ordinary shares '000	Par value USD	Share capital RM'000	Share premium RM'000	Statutory surplus reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Merger deficit RM'000	Treasury shares RM'000	Warrants reserve RM'000	Total RM'000
Audited Consolidated Statements of financial Position as at 30.9.2013	725,997	0.10	240,214	-	13,369	18,333	336,906	(109,092)	(1)	13,390	513,119
Proposed Rights Issue	212,275	0.10	68,119	3,530	-	-	(32,014)	-	-	1,820	41,455
As per Proforma I	938,272	0.10	308,333	3,530	13,369	18,333	304,892	(109,092)	(1)	15,210	554,574
Full exercise of Warrants 2014	90,975	0.10	29,194	4,467	-	-	-	-	-	(1,820)	31,841
As per Proforma II	1,029,247	0.10	337,527	7,997	13,369	18,333	304,892	(109,092)	(1)	13,390	586,415

Appendix 1 (Cont'd)

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

4. Share capital, share premium and other reserves (cont'd)

The movements of the issued and paid-up share capital, share premium, and other reserves of the XDL Group are as follows (cont'd):-

Entitlement Scenario	Number of ordinary shares '000	Par value USD	Share capital RM'000	Share premium RM'000	Statutory surplus reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Merger deficit RM'000	Treasury shares RM'000	Warrants reserve RM'000	Total RM'000
Audited Consolidated Statements of financial Position as at 30.9.2013	725,997	0.10	240,214	-	13,369	18,333	336,906	(109,092)	(1)	13,390	513,119
Proposed Rights Issue	423,498	0.10	135,901	7,042	-	-	(62,873)	-	-	3,630	83,700
As per Proforma I	1,149,495	0.10	376,115	7,042	13,369	18,333	274,033	(109,092)	(1)	17,020	596,819
Full exercise of Warrants 2014	181,499	0.10	58,243	8,912	-	-	-	-	-	(3,630)	63,525
As per Proforma II	1,330,994	0.10	434,358	15,954	13,369	18,333	274,033	(109,092)	(1)	13,390	660,344

Appendix 1 (Cont'd)

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APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated

Ding Peng Peng
Director
XIDELANG HOLDINGS LTD

Stamped for the purpose of identification only.
12 DEC 2013
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD

(Incorporated in Bermuda (Company No. 43136))

(Registered as a foreign company in Malaysia (Registration No. 995210 - W))

AUDITED FINANCIAL STATEMENTS

30 SEPTEMBER 2013

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

CONTENTS	PAGE

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 4 to 62 have been drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2013 and of their financial performance and cash flows of the Group and of the Company for the financial period 1 January 2013 to 30 September 2013.

On behalf of the Board,

Ding PengPeng
Director

Ding LiHong
Director

Kuala Lumpur
Date: 12 December 2013

BDO

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1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
XIDELANG HOLDINGS LTD (Incorporated in Bermuda)**

Report on the Financial Statements

We have audited the financial statements of XiDeLang Holdings Ltd, which comprise statements of financial position as at 30 September 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period 1 January 2013 to 30 September 2013, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 62.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of the financial statements that give a true and fair view 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 entity'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.

Bermuda Company No: 43136 3
(Malaysian Foreign Company Registration No: 995210 - W)

BDO

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
XIDELANG HOLDINGS LTD (Incorporated in Bermuda) (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 September 2013 and of their financial performance and cash flows for the financial period 1 January 2013 to 30 September 2013 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Matters

This report is prepared solely to the Board of Directors of the Company for the purpose of the preparation of the abridged prospectus in relation to the proposed bonus issue and proposed rights issue of new ordinary shares together with free detachable warrants ("Proposed Corporate Exercise) undertaken by the Company in Malaysia and it is not to be used in whole or in part for any other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
Date: 12 December 2013

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

		Group		Company	
		30.9.2013	31.12.2012	30.9.2013	31.12.2012
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	585,511	494,565	-	-
Land use rights	8	53,069	53,982	-	-
Investments in subsidiaries	9	-	-	511,153	511,153
		638,580	548,547	511,153	511,153
Current assets					
Inventories	10	13,829	22,500	-	-
Trade and other receivables	11	204,443	170,295	30,781	37,932
Cash and cash equivalents	13	323,459	305,108	314	3
		541,731	497,903	31,095	37,935
TOTAL ASSETS		1,180,311	1,046,450	542,248	549,088
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	488,281	488,281	488,281	488,281
Reserves	15	475,503	414,594	47,316	57,765
TOTAL EQUITY		963,784	902,875	535,597	546,046
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	12(c)	27,443	27,443	-	-
Current liabilities					
Trade and other payables	16	165,429	100,536	6,651	3,042
Borrowings	17	10,000	-	-	-
Current tax liabilities	12(b)	13,655	15,596	-	-
		189,084	116,132	6,651	3,042
TOTAL LIABILITIES		216,527	143,575	6,651	3,042
TOTAL EQUITY AND LIABILITIES		1,180,311	1,046,450	542,248	549,088

These financial statements have been approved by the Board of Directors of the Company on 12 December 2013.

Ding PengPeng
Director

Ding LiHong
Director

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

Bermuda Company No: 43136 5
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 SEPTEMBER 2013

		Group		Company	
	Note	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000
Revenue	18	468,001	947,398	-	120,000
Cost of sales	19	(343,948)	(657,551)	-	-
Gross profit		124,053	289,847	-	120,000
Other income		4,056	2,225	-	73
Distribution costs		(12,399)	(37,440)	-	-
Administrative and other expenses		(20,395)	(29,710)	(952)	(2,544)
Finance costs		(423)	(2,297)	-	-
Profit /(Loss) before tax	20	94,892	222,625	(952)	117,529
Tax expense	21	(24,725)	(56,837)	-	-
Profit /(loss) for the financial period/year		70,167	165,788	(952)	117,529
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(2,287)	(285)	(2,526)	(1,240)
Other comprehensive income, net of tax		(2,287)	(285)	(2,526)	(1,240)
Total comprehensive income /(loss)		67,880	165,503	(3,478)	116,289
Profit /(loss) attributable to:					
Owners of the parent		70,167	165,788	(952)	117,529
Total comprehensive income /(loss) attributable to:					
Owners of the parent		67,880	165,503	(3,478)	116,289

Earnings per ordinary share attributable to equity holders of the Company (RMB):

Basic	27	0.0966	0.2314
Diluted	27	0.0966	0.2314

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

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 SEPTEMBER 2013

		← Non-distributable						→	Distributable	
	Note	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Statutory surplus reserves RMB'000	Warrant reserve RMB'000	Merger deficit RMB'000	Exchange translation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Group										
Balance at 1 January 2012		299,552	(1)	58,661	24,836	-	(204,906)	(88)	506,547	684,601
Profit for the financial year		-	-	-	-	-	-	-	165,788	165,788
Foreign currency translations		-	-	-	-	-	-	(285)	-	(285)
Total comprehensive income		-	-	-	-	-	-	(285)	165,788	165,503
Transactions with owners										
Issue of new shares	14	27,704	-	9,025	-	-	-	-	-	36,729
Shares issue expenses		-	-	(639)	-	-	-	-	-	(639)
Bonus issue	14	161,025	-	(67,047)	-	-	-	-	(93,978)	-
Transfer to statutory reserve	15(a)	-	-	-	76	-	-	-	(76)	-
Issue of warrants	15(d)	-	-	-	-	25,151	-	-	-	25,151
Deferred tax arising from undistributed profits of the PRC subsidiaries	12(c)	-	-	-	-	-	-	-	(8,470)	(8,470)
Total transactions with owners		188,729	-	(58,661)	76	25,151	-	-	(102,524)	52,771
Balance at 31 December 2012		488,281	(1)	-	24,912	25,151	(204,906)	(373)	569,811	902,875

The accompanying notes form an integral part of the financial statements

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 SEPTEMBER 2013 (continued)

		< ----	----	----	*Non-distributable*	----	----	---->	*Distributable*	
	Note	**Share capital RMB'000**	**Treasury shares RMB'000**	**Share premium RMB'000**	**Statutory surplus reserves RMB'000**	**Warrant reserve RMB'000**	**Merger deficit RMB'000**	**Exchange translation reserve RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Group										
Balance at 1 January 2013		488,281	(1)	-	24,912	25,151	(204,906)	(373)	569,811	902,875
Profit for the financial period		-	-	-	-	-	-	-	70,167	70,167
Foreign currency translations		-	-	-	-	-	-	(2,287)	-	(2,287)
Total comprehensive income		-	-	-	-	-	-	(2,287)	70,167	67,880
Transactions with owners										
Dividends paid	22	-	-	-	-	-	-	-	(6,971)	(6,971)
Transfer to statutory reserve	15(a)	-	-	-	199	-	-	-	(199)	-
Total transactions with owners		-	-	-	199	-	-	-	(7,170)	(6,971)
Balance at 30 September 2013		488,281	(1)	-	25,111	25,151	(204,906)	(2,660)	632,808	963,784

The accompanying notes form an integral part of the financial statements

Bermuda Company No: 43136
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 SEPTEMBER 2013

		<--- *Non-distributable*				--->	*Distributable*	
	Note	Share capital RMB'000	Share premium RMB'000	Exchange translation reserve RMB'000	Warrant reserve RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Total equity RMB'000
Company								
Balance at 1 January 2012		299,552	58,661	1,220	-	(1)	9,084	368,516
Profit for the financial year		-	-	-	-	-	117,529	117,529
Foreign currency translation		-	-	(1,240)	-	-	-	(1,240)
Total comprehensive income		-	-	(1,240)		-	117,529	116,289
Transactions with owners								
Issue of new shares	14	27,704	9,025	-	-	-	-	36,729
Shares issue expenses		-	(639)	-	-	-	-	(639)
Bonus issue	14	161,025	(67,047)	-	-	-	(93,978)	-
Issue of warrants		-	-	-	25,151	-	-	25,151
Total transactions with owners		188,729	(58,661)	-	25,151	-	(93,978)	61,241
Balance at 31 December 2012		488,281	-	(20)	25,151	(1)	32,635	546,046
Loss for the financial period		-	-	-	-	-	(952)	(952)
Foreign currency translation		-	-	(2,526)	-	-	-	(2,526)
Total comprehensive loss		-	-	(2,526)	-	-	(952)	(3,478)
Transactions with owners								
Dividends paid	22	-	-	-	-	-	(6,971)	(6,971)
Total transactions with owners		-	-	-	-	-	(6,971)	(6,971)
Balance at 30 September 2013		488,281	-	(2,546)	25,151	(1)	24,712	535,597

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

Bermuda Company No: 43136 9
(Malaysian Foreign Company Registration No: 995210 - W)

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 SEPTEMBER 2013

		Group		Company	
	Note	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		94,892	222,625	(952)	117,529
Adjustments for:					
Depreciation of:					
- Land use rights	8	913	1,217	-	-
- Property, plant and equipment	7	8,282	648	-	-
Interest expense		423	2,297	-	-
Interest income		(855)	(1,262)	-	-
Inventories written off	10	157	35	-	-
Loss on disposal of property, plant and equipment		409	-	-	-
Unrealised (gain)/loss on foreign exchange		(2,631)	277	-	(73)
Operating profit/(loss) before working capital changes		101,590	225,837	(952)	117,456
Changes in working capital:-					
Inventories		8,514	641	-	-
Trade and other receivables		(33,941)	26,325	-	-
Trade and other payables		64,983	(26,144)	4,051	1,458
Cash generated from operations		141,146	226,659	3,099	118,914
Income tax paid		(26,314)	(69,641)	-	-
Net cash from operating activities		114,832	157,018	3,099	118,914

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 SEPTEMBER 2013 (continued)

	Note	Group 1.1.2013 to 30.9.2013 RMB'000	Group 1.1.2012 to 31.12.2012 RMB'000	Company 1.1.2013 to 30.9.2013 RMB'000	Company 1.1.2012 to 31.12.2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances from/(to) a subsidiary	24(b)	-	-	4,408	(178,721)
Dividend received		-	-	-	-
Interest received		855	1,262	-	-
Purchase of property, plant and equipment	7	(99,844)	(105,000)	-	-
Withdrawal of deposit pledged to bank		12	2,093	-	-
Net cash (used in)/from investing activities		(98,977)	(101,645)	4,408	(178,721)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	22	(6,971)	-	(6,971)	-
Drawdown of bank borrowings		10,000	10,500	-	-
Interest paid		(423)	(2,297)	-	-
Issue of new shares, net of shares issued expenses	14	-	36,090	-	36,090
Issue of warrants	15(d)	-	25,151	-	25,151
Repayments of borrowings		-	(50,400)	-	-
Net cash from/(used in) financing activities		2,606	19,044	(6,971)	61,241
Net increase in cash and cash equivalents		18,461	74,417	536	1,434
Effect of changes in exchange rate		(98)	(519)	(225)	(1,433)
Cash and cash equivalents at beginning of financial period/year		305,096	231,198	3	2
Cash and cash equivalents at end of financial period/year	13	323,459	305,096	314	3

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

XIDELANG HOLDINGS LTD (Incorporated in Bermuda)

NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2013

1. CORPORATE INFORMATION

The Company (喜得狼控股有限公司) was incorporated in Bermuda under the Bermuda Companies Act as an exempt company limited by shares and registered as a foreign company in Malaysia under the Malaysian Companies Act, 1965 and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company in Bermuda is located at Clarendon House, 2, Church Street, Hamilton HM11, Bermuda. The registered office of the Company in Malaysia is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

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 ("PRC") and Zhainei Village, Neikeng County, Jinjiang City, Fujian Province, the Peoples' Republic of China ("PRC").

The financial statements are presented in Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated. The functional currencies of the Company and its subsidiaries in the PRC are RM ("Ringgit Malaysia") and RMB respectively.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 12 December 2013.

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 investment holding. The principal activities of the 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 as set out on pages 4 to 62 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs') and International Financial Reporting Standards ('IFRSs').

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 current financial period has been prepared for a period of up to 9 months because the current set of financial statements are for the purpose of facilitating the corporate exercise of the Group. Consequently, the amounts presented in the current financial statements are not entirely comparable.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The preparation of financial statements in conformity with MFRSs and IFRSs 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 would 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

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

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 is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee
(b) Rights arising from other contractual agreements
(c) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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 statement of comprehensive income.

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 would flow to the Group and the cost of the asset could 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 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 annual depreciation rates are as follows:

Plant and machinery	10%
Buildings and improvements and infrastructure	2.26%
Electronic equipment	10% - 33.33%
Motor vehicles	10%
Other equipment	10% - 20%

Construction-in-progress represents 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 the end of each reporting period, 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 non-financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment and depreciation (continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period 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.

4.4 Leases

(a) Finance leases

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease.

(b) Operating leases

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 on a straight line basis over the lease term.

(c) Leases of land

For leases of land, the leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land is allocated to the land to the relative fair values of the leasehold interests in the land of the lease at the inception of the lease.

Land use rights are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged so as to write off the cost of the land use rights, using the straight line method, over the lease period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 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. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the Company's separate financial statements. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

Equity loan

Equity loan represents non-trade loan granted by the Company to a subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future and is intended to provide the subsidiary with a long-term source of additional capital. It is, in substance, an addition to the Company's investment in the subsidiary and accordingly, is accounted for under MFRS 127 as part of the investment in the subsidiary and measured at cost.

4.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries) and inventories, are reviewed at the end of each reporting period 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 possible 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 non-financial 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, cost of conversion plus other cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress includes the cost of raw materials and a proportion of production overheads. The cost of 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.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(a) Financial assets (continued)

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement (continued):

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits 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 statements of cash flows, cash and cash equivalents are presented net of pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(b) Financial liabilities (continued)

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities 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.

At the end of each reporting period, the Group shall assess whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(c) Equity (continued)

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

An entity presents own shares purchased as a deduction from equity. Consideration received when own shares held are reissued is presented as change in equity, and no gain or loss is recognised.

4.9 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of financial assets (continued)

Loans and receivables (continued)

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

4.11 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 would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Provisions (continued)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would 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.

4.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by subsidiaries incorporated in the PRC on distributions to the immediate holding company incorporated or domiciled outside the PRC.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes) and real property gains taxes payable on disposal of properties, if any.

(b) 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 statements of financial position 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 the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future 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 the end of each reporting period. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

(b) Deferred tax (continued)

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 on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would 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 the announcement of tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(c) Other taxes

The Group'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 statements of financial position respectively in line with the requirements in the 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.

Withholding taxes, which are payable by subsidiaries incorporated in the PRC on distribution of earnings to the immediate holding company incorporated or domiciled outside the PRC, are deducted from the dividends paid and payable to the foreign holding company and are included as part of current tax liabilities in the statements of financial position. Correspondingly, the distribution represents realisation of the temporary differences associated with undistributed profits and hence give rise to an entry where deferred tax liabilities are debited and retained earnings are credited. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

(c) Other taxes (continued)

Land use right taxes and other taxes are recognised under the administrative and other expenses in the statements of profit or loss and other comprehensive income, and included as part of current tax liabilities in the statements of financial position.

4.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would 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 would 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.

4.14 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees 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 and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

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)

4.14 Employee benefits (continued)

(b) Defined contribution plan

Pursuant to the relevant laws and regulations of the PRC, the Group has participated in a basic pension insurance for the employees arranged by local Labour and Social Security Bureau, whereby the subsidiaries incorporated in the PRC make contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. 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. When employees retire, the local Labour and Social Security Bureau shall be responsible for the payment of the basic pension benefits to the retired employees.

4.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and the Company are presented in Renminbi ("RMB"), unless otherwise stated. The functional currencies of the Company and its subsidiaries in the PRC are RM and RMB respectively.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currencies at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currencies 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.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statements of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Foreign currencies (continued)

(c) Foreign operations (continued)

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4.16 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 would 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 acceptance by customers.

(b) Dividend income

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

(c) Interest income

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

4.17 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Operating segments (continued)

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds, if any, would result in a restatement of prior period segment data for comparative purpose.

4.18 Earning per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRS adopted during the current financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title		**Effective Date**
MFRS 10	*Consolidated Financial Statements*	1 January 2013
MFRS 11	*Joint Arrangements*	1 January 2013
MFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13	*Fair Value Measurement*	1 January 2013
MFRS 119	*Employee Benefits (revised)*	1 January 2013
MFRS 127	*Separate Financial Statements*	1 January 2013
MFRS 128	*Investments in Associates and Joint Ventures*	1 January 2013
Amendment to MFRS 1	*Government Loans*	1 January 2013
Amendments to MFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRSs	*Annual Improvements 2009 – 2011 Cycle*	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
IC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been adopted by the Group and the Company.

Title		**Effective Date**
Amendments to MFRS 10	*Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to MFRS 12	*Disclosure of Interest in Other Entities: Investment Entities*	1 January 2014
Amendments to MFRS 127	*Separate Financial Statements (2011): Investment Entities*	1 January 2014
Amendments to MFRS 132	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136	*Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21	*Levies*	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures		1 January 2015
MFRS 9	*Financial Instruments (2009)*	1 January 2015
MFRS 9	*Financial Instruments (2010)*	1 January 2015

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

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

(a) Withholding tax on dividend

The Group is subject to income taxes in the tax jurisdiction in the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by Foreign Invested Enterprises ("FIE") incorporated in the PRC would be subject to a withholding tax of 5% to 10%. The PRC tax authorities have granted a special tax concession which states that from 1 January 2008 onwards, dividends distributed out of a FIE's profit arising in year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax.

During the current financial period, the Directors have reassessed the dividend policy of the Group. Following the reassessment, the Directors have reconsidered the above tax exposure in the light of the changes in dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of the PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%. However, actual applicable withholding tax rate at the time of distribution could differ.

(a) 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.

(b) Leases of land

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty

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

(a) Impairment of non-financial assets

The management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets 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

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

(c) Income tax

The Group has exposures to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying value of receivables.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (continued).

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(f) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings and improvements and infrastructure RMB'000	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group							
Carrying amount							
At 1 January 2013	-	1,871	114	1,503	77	491,000	494,565
Additions	-	10,271	-	-	6,434	83,139	99,844
Disposal	-	(616)	-	-	-	-	(616)
Transfer	556,221	-	-	-	-	(556,221)	-
Depreciation charge for the financial period	(7,332)	(655)	(7)	(119)	(169)	-	(8,282)
At 30 September 2013	548,889	10,871	107	1,384	6,342	17,918	585,511
Group							
At 30 September 2013							
Cost	556,221	15,501	427	1,754	6,745	17,918	598,566
Accumulated depreciation	(7,332)	(4,630)	(320)	(370)	(403)	-	(13,055)
Carrying amount	548,889	10,871	107	1,384	6,342	17,918	585,511

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and improvements and infrastructure RMB'000	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group							
Carrying amount							
At 1 January 2012	-	2,322	143	1,660	88	386,000	390,213
Additions	-	-	-	-	-	105,000	105,000
Depreciation charge for the financial year	-	(451)	(29)	(157)	(11)	-	(648)
At 31 December 2012	-	1,871	114	1,503	77	491,000	494,565
Group							
At 31 December 2012							
Cost	-	8,002	427	1,754	311	491,000	501,494
Accumulated depreciation	-	(6,131)	(313)	(251)	(234)	-	(6,929)
Carrying amount	-	1,871	114	1,503	77	491,000	494,565

(a) During the financial period, buildings and improvements and infrastructure with carrying amount of RMB548,889,000 were charged to licensed banks for banking facilities granted to the subsidiaries (Note 17 (a) to the financial statements).

(b) Construction-in-progress as at 30 September 2013 represented construction costs incurred for the corporate office.

(c) During the previous financial year, construction-in progress represented warehouse, factory, hostels and corporate office.

8. LAND USE RIGHTS

	Group	
	30.9.2013 RMB'000	31.12.2012 RMB'000
Carrying amount		
At 1 January 2013/2012	53,982	55,199
Amortisation charge for the financial period/year	(913)	(1,217)
Carrying amount	53,069	53,982
Cost	60,860	60,860
Accumulated depreciation	(7,791)	(6,878)
Carrying amount	53,069	53,982

(a) The Group was granted land use rights for a period of fifty (50) years in relation to the lands situated in the PRC.

(b) During the financial period, leasehold land with carrying amount of RMB47,533,000 (31.12.2012: RMB48,350,000) were charged to licensed banks for the banking facilities granted to the subsidiaries (Note 17(a) to the financial statements).

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	30.9.2013 RMB'000	31.12.2012 RMB'000
Unquoted equity shares, at cost	204,915	204,915
Equity loan to a subsidiary	306,238	306,238
	511,153	511,153

During the financial period, a portion of the outstanding balance of the amount owing by a subsidiary amounting to RMB306,238,000 (31.12.2012: RMB306,238,000) constitutes an equity loan to the subsidiary, which is unsecured, interest free and has no fixed terms of repayment and, is considered to be part of the Company's net investment in foreign operation.

9. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by Company 30.9.2013	Company 31.12.2012	Subsidiaries 30.9.2013	Subsidiaries 31.12.2012	Principal activities	Note
XinYuanChan #	Hong Kong Special Administrative Region ("HKSAR)	100%	100%	-	-	Investment holding	(a)
Subsidiary of XinYuanChan							
HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HPFJ") #	PRC	-	-	100%	100%	Design, manufacturing and marketing of sports shoes as well as design and marketing of sports apparel, accessories and equipment	(b)
Subsidiaries of HPFJ							
Fujian Province Jinjiang City Chendai HongPeng Footwear Manufacturing Co., Ltd. ("CDHP") #	PRC	-	-	100%	100%	Design, manufacturing and marketing of sports shoes	(c)
XiDeLang Sports Goods Co., Ltd. ("XDLSG") #	PRC	-	-	100%	100%	The registered scope of business under its business license is manufacturing of shoes and apparel. It is the registered owner of the Group's proprietary 'XiDeLang' brand	(d)

\# Subsidiaries not audited by BDO

9. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows (continued):

(a) XinYuanChan is a private company with limited liability incorporated in HKSAR under the Hong Kong Companies Ordinance (Cap32) on 19 June 2008.

(b) HPFJ was incorporated in the PRC under the PRC Law of Sino-foreign Equity Joint Ventures on 29 November 1996 as a sino-foreign-owned company with limited liability. After the restructuring exercise carried out on 21 October 2008, its governing law was changed to the PRC Law of Wholly Foreign-Owned Enterprise.

(c) CDHP was incorporated on 10 May 1993 in the PRC as a company with limited liability under the Provisional Regulations of the PRC on Private Enterprises.

(d) XDLSG was incorporated on 24 July 1995 in the PRC under the name of Fujian Province Jinjiang City XiDeLang Shoes and Garments Co., Ltd. as a company with limited liability under the Company Law of the PRC and assumed its current name on 26 May 2003.

10. INVENTORIES

	Group	
	30.9.2013	**31.12.2012**
	RMB'000	**RMB'000**
At cost		
Raw materials	2,320	580
Work-in-progress	4,777	14,873
Finished goods	6,732	7,047
	13,829	22,500

During the financial year, the Group wrote off inventories of RMB157,000 (31.12.2012: RMB35,000), which were included in cost of sales.

Cost of inventories of the Group recognised as an expense during the financial period amounted to RMB295,894,000 (31.12.2012: RMB583,177,000).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	30.9.2013 RMB'000	31.12.2012 RMB'000	30.9.2013 RMB'000	31.12.2012 RMB'000
Current				
Trade receivables				
Third parties	204,236	161,517	-	-
Other receivables				
Other receivable	207	-	-	-
Amount owing by a subsidiary	-	-	30,781	37,932
Loans and receivables	204,443	161,517	30,781	37,932
Deposits	-	8,778	-	-
	204,443	170,295	30,781	37,932

(i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group is ninety (90) days (31.12.2012: sixty (60) to ninety (90) days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Amount owing by a subsidiary is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(iii) In the previous year, deposits represented deposits paid for purchasing property, plant and equipment.

(iv) The currency exposure profile of receivables are as follows:

	Group		Company	
	30.9.2013 RMB'000	31.12.2012 RMB'000	30.9.2013 RMB'000	31.12.2012 RMB'000
Renminbi	204,443	170,295	-	-
Ringgit Malaysia	-	-	30,781	37,932
	204,443	170,295	30,781	37,932

11. TRADE AND OTHER RECEIVABLES (continued)

(v) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	30.9.2013 RMB'000	31.12.2012 RMB'000
Neither past due nor impaired	204,236	161,517

(vi) The credit quality of trade receivables that are neither past due nor impaired as at the end of reporting period were assessed as follows:

	Group	
Counterparties without external credit ratings	30.9.2013 RMB'000	31.12.2012 RMB'000
Group A	43,204	-
Group B	161,032	161,517
	204,236	161,517

Group A refers to new customers (less than 12 months).

Group B refers to existing customers (more than 12 months) with no defaults in the past.

(vii) Information on financial risks of trade and other receivables is disclosed in Note 26 to the financial statements.

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 payable in the PRC, on distribution of earnings by the subsidiaries in the PRC to their immediate holding company incorporated or domiciled in the HKSAR, effective from 1 January 2008.

12. TAXATION (continued)

(b) Current tax liabilities

	Group	
	30.9.2013	**31.12.2012**
	RMB'000	**RMB'000**
Current liabilities		
Corporate income tax	8,082	9,672
Value added tax	4,040	4,394
Land use right tax	1,108	1,108
Others	425	422
	13,655	15,596

(c) Deferred tax liabilities

The deferred tax liabilities are made up of the following:

	Group	
	30.9.2013	**31.12.2012**
	RMB'000	**RMB'000**
Balance as at 1 January	27,443	24,973
Recognised directly in equity	-	8,470
Withholding tax paid on distribution of earnings by a subsidiary	-	(6,000)
	-	2,470
Balance as at 30 September/31 December	27,443	27,443

The Group is subject to income taxes in the tax jurisdiction in the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by Foreign Invested Enterprises ("FIE") incorporated in the PRC would be subject to a withholding tax of 5% to 10%. The PRC tax authorities have granted a special tax concession which states that from 1 January 2008 onwards, dividends distributed out of a FIE's profit arising in year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax.

The Directors have reassessed the dividend policy of the Group and have reconsidered the above tax exposure in the light of the changes in dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of the PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	30.9.2013 RMB'000	**31.12.2012 RMB'000**	**30.9.2013 RMB'000**	**31.12.2012 RMB'000**
Cash and bank balances	323,459	305,096	314	3
Deposit with a licensed bank	-	12	-	-
As per statements of financial position	323,459	305,108	314	3
Less: Deposit (Note (a) below)	-	(12)	-	-
As per statements of cash flows	323,459	305,096	314	3

(a) Deposit with a licensed bank of RMB NIL (31.12.2012: RMB12,000) represents guarantee deposit pledged for bankers' acceptance facilities granted to a subsidiary.

(b) Information on financial risks of cash and cash equivalents are disclosed in Note 26 to the financial statements.

(c) The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	30.9.2013 RMB'000	**31.12.2012 RMB'000**	**30.9.2013 RMB'000**	**31.12.2012 RMB'000**
Renminbi	322,991	304,832	-	-
Ringgit Malaysia	314	3	314	3
US Dollar	154	273	-	-
Hong Kong Dollar	*(1)	*(1)	-	-
As per statements of financial position	323,459	305,108	314	3

*(1) Represent RMB79 (31.12.2012: RMB82)

14. SHARE CAPITAL

	30.9.2013				31.12.2012			
	Number of shares '000	Par value USD	USD'000	RMB'000	Number of shares '000	Par value USD	USD'000	RMB'000
Authorised ordinary shares								
Balance at 1 January	3,000,000	0.10	300,000	1,890,330	500,000	0.10	50,000	315,055
Created during the year	-		-	-	2,500,000	0.10	250,000	1,575,275
Balance at 30 September/31 December	3,000,000		300,000	1,890,330	3,000,000	0.10	300,000	1,890,330
Issued and fully paid ordinary shares:								
Balance at 1 January	725,998	0.10	72,600	488,281	440,000	0.10	44,000	299,552
Issuance of shares pursuant to placement to selected investors	-		-	-	43,999	0.10	4,400	27,704
Bonus issue	-		-	-	241,999	0.10	24,200	161,025
Balance at 30 September/31 December	725,998		72,600	488,281	725,998	0.10	72,600	488,281

(a) In the previous financial year, the authorised share capital of the Company were increased from USD50,000,000 to USD300,000,000 by the creation of 2,500,000,000 new ordinary shares of USD0.10 each.

(b) In the previous financial year, the Company completed the listing and quotation of the first tranche of a Private Placement, which comprise 39,000,000 Placement Shares issued at an issue price of RMB0.83 (RM0.40) per Placement Share.

(c) In the previous financial year, the Company completed the listing and quotation of the second and final tranche of the Private Placement, which comprise 4,999,000 Placement Shares issued at an issue price of RMB0.84 (RM0.40) per Placement Share.

(d) In the previous financial year, the Company completed the listing and quotation of a Bonus Issue of 241,998,950 new ordinary shares of USD0.10 each in the Company ("Bonus Shares"), credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing ordinary shares.

(e) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

15. RESERVES

	Note	Group 30.9.2013 RMB'000	Group 31.12.2012 RMB'000	Company 30.9.2013 RMB'000	Company 31.12.2012 RMB'000
Non-distributable:					
Share premium		-	-	-	-
Statutory surplus reserve	(a)	25,111	24,912	-	-
Exchange translation reserve	(b)	(2,660)	(373)	(2,546)	(20)
Merger deficit	(c)	(204,906)	(204,906)	-	-
Warrant reserve	(d)	25,151	25,151	25,151	25,151
Distributable:					
Retained earnings		632,808	569,811	24,712	32,635
Treasury shares	(e)	(1)	(1)	(1)	(1)
		475,503	414,594	47,316	57,765

(a) Statutory surplus reserve

Pursuant to applicable PRC regulations, the Company's subsidiaries incorporated in the PRC are required to allocate 10% of their net profit for the financial year (after offsetting prior financial year losses, if any) to the statutory surplus reserve until it reaches 50% of their registered capital respectively. 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 respective subsidiaries, provided that the balance after such issue is not less than 25% of its registered capital.

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Merger deficit

The merger deficit is arose from the merger of XinYuanChan based on the difference between the amount recorded as cost of merger, which comprised the share capital issued by the Company of USD30,000,000 (RMB204,915,000), and the nominal value of XinYuanChan's share capital merged under the pooling of interest method of accounting as follows:

	RMB'000
Cost of merger	204,915
Less : Share capital of XinYuanChan (HKD10,000)	(9)
Merger deficit	204,906

15. RESERVES (continued)

(d) Warrant reserve

The Warrants of 241,998,950 issued pursuant to Renounceable Rights Issue exercise of the Company were constituted by a Deed Poll dated 15 March 2012 ("Deed Poll"). The Warrants were listed on Main Market of Bursa Malaysia Securities Berhad on 30 April 2012.

The amount of warrant reserve represents the proceeds from the issuance of Warrants which is non-distributable. Upon full exercise of the warrants, the warrant reserve will be transferred to the share premium.

The salient features of the Warrants are as follows:

(i) Each Warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, subject to adjustment in accordance with the provision of the Deed Poll.

(ii) The exercise price of each warrant has been fixed at RM0.35, subject to adjustment under certain circumstances in accordance with the provision of the Deed Poll; and

(iii) The Warrants shall be exercisable at any time within a period of three (3) years including and commencing from the issue date up to the expiry date.

As at 30 September 2013, unexercised warrants of the Company are as follows:

Date granted	Exercise price	No. of warrants over ordinary shares	Warrant expiry date
29 March 2012	RM0.35	241,998,950	28 March 2015

(e) Treasury shares

On 26 August 2010, the Company repurchased 1,000 units of its issued shares from the open market at an average price of RMB1.03 (RM0.48) per share. The repurchased shares were financed by internally generated fund. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Malaysian Companies Act, 1965.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	30.9.2013	31.12.2012	30.9.2013	30.9.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Trade payables				
Third parties	104,101	91,853	-	-
Other payables and accruals				
Third parties	537	537	-	-
Amount owing to a Director	6,502	1,926	6,481	1,906
Accruals	54,289	6,220	170	1,136
	61,328	8,683	6,651	3,042
	165,429	100,536	6,651	3,042

(a) Trade payables are non-interest bearing and the normal trade credit term granted to the Group is ninety (90) days (31.12.2012: ninety (90) days).

(b) Amount owing to a Director represents advances and payments made on behalf, which are unsecured, interest-free and repayable on demand in cash and cash equivalents.

(c) Included in accruals is an amount of RMB NIL (31.12.2012: RMB427,000), which represents accrued Directors' fees.

(d) Included in accruals is an amount of RMB41,139,041 (2011: NIL), which represents retention sum in respect of the construction of the Group's building, which are unsecured, interest-free and are expected to be payable within 1 year.

(e) The currency exposure profile of payables are as follows:

	Group		Company	
	30.9.2013	31.12.2012	30.9.2013	30.9.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	158,778	97,554	60	60
Ringgit Malaysia	6,651	2,982	6,591	2,982
	165,429	100,536	6,651	3,042

(f) Information on financial risks of trade and other payables are disclosed in Note 26 to the financial statements.

17. BORROWINGS

	Note	Group 30.9.2013 RMB'000	Group 31.12.2012 RMB'000
Current liabilities			
Secured			
Short term bank loan	(a)	10,000	-

(a) The short term bank loan is secured by buildings and improvements and infrastructure (Note 7(a) to the financial statements) and one (1) land use rights (Note 8(b) to the financial statements) with carrying amount of RMB317,147,000 and RMB22,794,000 respectively.

(b) Information on financial risks of borrowings is disclosed in Note 26 to the financial statements.

(c) All borrowings are denominated in RMB.

(d) On 28 September 2013, the Company obtained a 5-year term loan amounting to RMB130,000,000 and was secured by buildings and improvements and infrastructure (Note (7a) to the financial statements) and one (1) land use rights (Note 8(b) to the financial statements) with carrying amount of RMB317,147,000 and RMB22,794,000 respectively. The term loan is repayable in eleven (11) half-yearly instalments from December 2014.

18. REVENUE

	Group 1.1.2013 to 30.9.2013 RMB'000	Group 1.1.2012 to 31.12.2012 RMB'000	Company 1.1.2013 to 30.9.2013 RMB'000	Company 1.1.2012 to 31.12.2012 RMB'000
Sales of goods	468,001	947,398	-	-
Dividend income from a subsidiary	-	-	-	120,000
	468,001	947,398	-	120,000

19. COST OF SALES

	Group 1.1.2013 to 30.9.2013 RMB'000	Group 1.1.2012 to 31.12.2012 RMB'000	Company 1.1.2013 to 30.9.2013 RMB'000	Company 1.1.2012 to 31.12.2012 RMB'000
Inventories sold	343,948	657,551	-	-

20. PROFIT/(LOSS) BEFORE TAX

		Group		Company	
	Note	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000
Profit before tax is arrived at after charging:					
Auditors' remuneration:		-	533	-	533
Depreciation of:					
- property, plant and equipment	7	8,282	648	-	-
- land use rights	8	913	1,217	-	-
Directors' fees paid and payable to the Directors		-	305	-	305
Directors' other emoluments paid and payable to the Directors		-	122	-	122
Directors' remuneration paid and payable to Directors of the Company by the subsidiaries		952	2,451	-	-
Interest expense on bank borrowings		423	2,297	-	-
Inventories written off	10	157	35	-	-
Loss on disposal of property, plant and equipment		409	-	-	-
Operating lease payments		1,372	2,601	-	-
Research and development expenses		1,245	2,177	-	-
Unrealised loss on foreign exchange		-	277	-	-
And crediting:					
Interest income		855	1,262	-	-
Unrealised gain on foreign exchange		2,631	-	-	73
Realised gain on foreign exchange		1	46	-	-

21. TAX EXPENSE

	Group	
	1.1.2013 to 30.9.2013 RMB'000	**1.1.2012 to 31.12.2012 RMB'000**
Current tax expense based on profit for the financial period/year	24,725	56,837

Tax expense for respective taxation authorities are calculated at the rates prevailing in those jurisdictions.

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

	Group	
	1.1.2013 to 30.9.2013 RMB'000	**1.1.2012 to 31.12.2012 RMB'000**
Profit before tax	94,892	222,625
Tax at the domestic rates applicable to profits in the countries concerned	23,737	56,323
Tax effect in respect of:		
Income not subject to tax	(434)	*(2)
Non-allowable expenses	542	370
Deferred tax assets not recognised	880	144
	24,725	56,837

*(2) Represent RMB24

21. TAX EXPENSE (continued)

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

	Group	
	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000
Unused tax losses		
- Expire by 31 December 2013	2,285	2,285
- Expire by 31 December 2014	2,119	2,119
- Expire by 31 December 2015	1,593	1,593
- Expire by 31 December 2016	1,074	1,074
- Expire by 31 December 2017	578	578
	7,649	7,649
	7,649	7,649

The Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company and is not subject to tax on income under the Bermuda Tax Law. Hence, no tax reconciliation is prepared.

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.

22. DIVIDENDS

	Group and Company			
	30.9.2013		31.12.2012	
	Gross dividend per share RMB	Amount of dividend net of tax RMB'000	Gross dividend per share RMB	Amount of dividend net of tax RMB'000
In respect of financial year ended 31 December 2012:				
- Final dividend paid	0.00960	6,971	-	-
	0.00960	6,971	-	-

23. EMPLOYEE BENEFITS

	Group		Company	
	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000	1.1.2013 to 30.9.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000
Wages, salaries and bonuses	33,815	33,412	-	305
Contributions to defined contribution plan	2,291	3,136	-	-
Other benefits	-	122	-	122
	36,106	36,670	-	427

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RMB952,000 (31.12.2012: RMB2,451,000).

24. 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 and indirect subsidiaries and its immediate and ultimate holding company.

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

Identity of the related party	Relationship with the Company
Ding JiaXing	Family member of three (3) of the Directors of the Company.

24. RELATED PARTY DISCLOSURES (continued)

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

		Group		Company	
	Note	30.9.2013 RMB'000	31.12.2012 RMB'000	30.9.2013 RMB'000	31.12.2012 RMB'000
Rental paid to the Director of the Company		(1,261)	(1,933)	-	-
Rental paid to Ding JiaXing and the Director of the Company		(111)	(668)	-	-
Repayments by/(Advances to) a subsidiary		-	-	4,408	(28,721)
Equity loan to a subsidiary	9	-	-	-	(150,000)

Significant balances with a subsidiary and a director at the end of the reporting period are disclosed in Note 11 and 16 to the financial statements.

The related party transactions described above have been established under negotiated commercial terms.

24. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

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

	Group	
	30.9.2013 RMB'000	**31.12.2012 RMB'000**
Short term employee benefits	1,237	3,131
Contributions to defined contribution plan	18	23
	1,255	3,154

25. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial period ended 30 September 2013 and financial year ended 31 December 2012. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital by reference to its indebtedness position. The Group's strategy is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. As at the end of the reporting period, the gearing ratio of the Group (which is financial debts divided by total equity plus financial debts) is calculated as follows:

	Group		Company	
	30.9.2013 RMB'000	**31.12.2012 RMB'000**	**30.9.2013 RMB'000**	**31.12.2012 RMB'000**
Borrowings	10,000	-	-	-
Trade and other payables	165,429	100,536	6,651	3,042
Financial debts	175,429	100,536	6,651	3,042

25. FINANCIAL INSTRUMENTS (continued)

(a) Capital management (continued)

	Group		Company	
	30.9.2013 RMB'000	**31.12.2012 RMB'000**	**30.9.2013 RMB'000**	**31.12.2012 RMB'000**
Total capital	963,784	902,875	535,597	546,046
Financial debts	175,429	100,536	6,651	3,042
Equity and financial debts	1,139,213	1,003,411	542,248	549,088
Gearing ratio	15.4%	10.0%	1.2%	0.6%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40 million (RMB75 million). The Company has complied with this requirement for the financial period ended 30 September 2013.

(b) Financial instruments

(i) Categories of financial instruments

	RMB'000
Group	
30.9.2013	
Financial assets	
Trade and other receivables - loans and receivables	204,443
Cash and cash equivalents	323,459
	527,902
Financial liabilities	
Trade and other payables	165,429
Borrowings	10,000
	175,429
Company	
30.9.2013	
Financial assets	
Trade and other receivables - loans and receivables	30,781
Cash and cash equivalents	314
	31,095
Financial liabilities	
Trade and other payables	6,651

25. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

	RMB'000
Group	
31.12.2012	
Financial assets	
Trade and other receivables - loans and receivables	161,517
Cash and cash equivalents	305,108
	466,625
Financial liabilities	
Trade and other payables	100,536
Borrowings	-
	100,536
Company	
31.12.2012	
Financial assets	
Trade and other receivables - loans and receivables	37,932
Cash and cash equivalents	3
	37,935
Financial liabilities	
Trade and other payables	3,042

(c) Fair values of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to the relatively short term maturity of these financial instruments.

(d) Determination of fair values

Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

i. Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values due to their short-term nature.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to ascertain that adequate financial resources are available for the development of the Group's business whilst managing its exposure to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are licensed financial institutions and customers primarily located in the PRC. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's exposure to credit risks, or the risk of counter parties defaulting, arises mainly from trade receivables. The Group's exposure to credit risks 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 ten (10) major customers as at the end of reporting period, which represents more than 39% (31.12.2012: 37%) of the total trade receivables. Other than as mentioned, the Group has no significant concentration of credit risk.

	Group	
	30.9.2013	**31.12.2012**
	RMB'000	**RMB'000**
Trade receivables	79,038	59,017

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the total carrying amount of these financial assets recognised in the statements of financial position. There has been no change to the Group's exposure to credit risk or the manner in which the risk is managed and measured.

Information regarding the credit quality of trade and other receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements.

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

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities. There has been no change to the Group's exposure to liquidity and cash flow risk or the manner in which the risk is managed and measured.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

30.9.2013 Group	**On demand or within one year RMB'000**	**One to five years RMB'000**	**Over five years RMB'000**	**Total RMB'000**
Financial liabilities:				
Trade and other payables	165,429	-	-	165,429
Borrowings	10,000	-	-	10,000
30.9.2013 Company				
Financial liabilities:				
Trade and other payables	6,651	-	-	6,651
31.12.2012 Group				
Financial liabilities:				
Trade and other payables	100,536	-	-	100,536
31.12.2012 Company				
Financial liabilities:				
Trade and other payables	3,042	-	-	3,042

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its loans and borrowings. 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, if measured at fair value. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. 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 end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

	Note	Interest rate %	Within 1 year RMB'000	Total RMB'000
Group				
At 30 September 2013				
Fixed rate instruments				
Borrowings	17	6.06	10,000	10,000
Floating rate instruments				
Cash and bank balances	13	0.35	323,145	323,145
Group				
At 31 December 2012				
Fixed rate instruments				
Deposit with a licensed bank	13	0.35 - 0.50	12	12
Floating rate instruments				
Cash and bank balances	13	0.35 - 0.50	305,093	305,093

Sensitivity analysis for interest rate risk

At 30 September 2013, if interest rates at the date had been 25 basis points higher with all other variables held constant, the Group's profit for the period would have been approximately RMB599,000 (31.12.2012: RMB572,000) higher, arising mainly as a result of higher interest income on cash and bank balances. If interest rates had been 25 basis points lower with all other variables held constant, profit for the year would have been approximately RMB599,000 (31.12.2012: RMB572,000) lower, arising mainly as a result of lower interest income on cash and bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Subsidiary incorporated and domiciled in Hong Kong has assets together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

It is not the Group's or the Company's policy to enter into foreign exchange forward contracts in managing its foreign exchange risk resulting from cash flows on transactions denominated in foreign currency as transactions denominated in foreign currency are to be minimised, where possible.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency risk (continued)

At the end of the reporting period, the Group holds cash and cash equivalents denominated in foreign currencies, Hong Kong Dollar ("HKD") and United States Dollar ("USD"), amounting to RMB79 (31.12.2012: RMB82) and RMB154,000 (31.12.2012: RMB273,000) respectively.

No sensitivity analysis for foreign currency risk is prepared at the end of the reporting period as the Group does not have significant exposure to foreign currency risk.

27. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial period.

	Group	
	30.9.2013	**31.12.2012**
	RMB'000	**RMB'000**
Profit attributable to equity holders of the parent	70,167	165,788
Weighted average number of ordinary shares in issue (in '000)	725,998	477,638
Effect of bonus issue (in '000)	-	238,819
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share (in '000)	725,998	716,457
Basic earnings per ordinary share (RMB)	0.0966	0.2314

(b) Diluted

The Group has no dilution in its earnings per ordinary share at 30 September 2013 and 31 December 2012 as the average fair value of the ordinary shares for the financial period ended 30 September 2013 and financial year ended 31 December 2012 was lower than the exercise price of the Warrants. Therefore, no consideration for adjustment in the form of an increase in the number of shares has been used in calculating potential dilution of its earnings per ordinary share.

28. OPERATING SEGMENTS

The Group's activities are predominantly in designing, manufacturing and marketing of sports shoes as well as designing and marketing of sports apparel, accessories and equipment within the PRC. The Group's operations are concentrated in Jinjiang City, Fujian Province of the PRC, which represents its principal place of business and in which the assets and liabilities of the Group is located.

28. OPERATING SEGMENTS (continued)

Due to the similarities in the business operations between the two operating subsidiaries in the PRC, the Group's chief operating decision maker, the Group's Chief Executive Officer ('CEO') in this context manages the operations within the Group as a whole in single segment and relies on internal reports which are similar to those currently disclosed externally to make decisions about allocation of resources and for performance assessment. Accordingly, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8:

Sales revenue by region

During the financial year, the Group derived all of its revenue from the PRC. In view of the vast geographical areas within the PRC, customers can be stratified on a regional basis within the PRC. The following is an analysis of the Group's sales revenue by region by location of customers, irrespective of the origin of the goods/services:

	Sales revenue by region	
	1.1.2013 to 30.9.2013 RMB'000	**1.1.2013 to 31.12.2012 RMB'000**
Within the PRC:		
- Eastern region	28,136	97,822
- Southern region	200,204	358,198
- Western region	130,060	261,750
- Northern region	109,601	229,628
	468,001	947,398

In this context, the regions are grouped in the following manner by the Group:

- Eastern region includes Jiangsu, Zhejiang, Shandong and Shanghai.
- Southern region includes Fujian, Guangdong, Hubei, Hunan, Jiangxi, Wuhan and Anhui.
- Western region includes Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang and Shaanxi.
- Northern region includes Beijing, Hebei, Henan, Heilongjiang, Liaoning, Shanxi, Jilin and Tianjin.

Sales revenue by products

The following is an analysis of the Group's sales revenue by products:

	Sales revenue by products	
	1.1.2013 to 30.9.2013 RMB'000	**1.1.2013 to 31.12.2012 RMB'000**
Sports shoes	270,880	520,470
Sports apparel, accessories and equipment	197,121	426,928
	468,001	947,398

The Group does not have significant reliance on a single major customer, with whom the Group transacted ten (10) per cent or more of its revenue during the financial period.

29. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group had entered into non-cancellable lease agreements for factory buildings and staff housing. The Group has aggregate future minimum lease commitment as at the end of the reporting period as follows:

	Group	
	30.9.2013 RMB'000	31.12.2012 RMB'000
Not later than one (1) year	1,609	2,601
Later than one (1) year and not later than five (5) years	2,012	5,203
Later than five (5) years	-	-
	3,621	7,804

(b) Capital commitments

	Group	
	30.9.2013 RMB'000	31.12.2012 RMB'000
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	-	64,946
Approved but not contracted for	55,232	64,435

30. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

On 30 September 2013, the Company proposed to undertake the following:

(a) proposed renounceable rights issue of up to 322,665,266 new ordinary shares of USD0.10 each in the Company ("Shares") ("Rights Shares") at an issue price of RM0.35 per Rights Share, together with up to 241,998,950 free detachable warrants in the Company ("Warrants 2013") and an attached bonus issue of up to 241,998,950 new Company Shares ("Bonus Shares") to be credited as fully paid-up at par, on the basis of four (4) Rights Shares together with three (3) free Warrants 2013 and three (3) Bonus Shares for every twelve (12) existing shares held on the entitlement date to be determined by the Board later ("Entitlement Date") ("Proposed Rights Issue"); and

(b) proposed amendments to the Memorandum of Association and Bye-laws of the Company ("Proposed Amendments").

31. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

On 3 October 2013, the Company submitted the application in respect of the Proposed Rights Issue to Bursa Malaysia Securities Berhad ("Bursa Securities").

On 7 November 2013, Bursa Securities has approved the Proposed Rights Issue subject to certain conditions.

XIDELANG HOLDINGS LTD (Bermuda Company No. 43136)

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Hamilton HM11
Bermuda
Tel : +1 (441) 295 1422
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Head Office
Chendai Huating Kou Industrial Zone
Jinjiang City
Fujian Province
People's Republic of China
Tel : +86 (595) 8677 6888
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Date: 16 DEC 2013

The Shareholders of

XIDELANG HOLDINGS LTD
("XDL" OR THE "COMPANY")

Dear Sir / Madam,

On behalf of the Board of Directors of XDL ("**Board**"), I wish to report that after due enquiry by us in relation to the interval between the period from 30 September 2013 (being the date to which the last audited consolidated financial statements of the Company and its subsidiaries ("**Group**") have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:-

(a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, since the last audited consolidated financial statements of the Group, no circumstances that has adversely affected the trading or the value of the assets of the Group has arisen;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities that has arisen by reason of any guarantees or indemnities given by the Group;

(e) there has not been, since the latest audited consolidated financial statements of the Group, any default or known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the Group, which the Board is aware of;

(f) save as disclosed in the audited consolidated financial statements of the Group for the financial period ended 30 September 2013 as set out in Appendix IV of this Abridged Prospectus, there has not been, since the last audited consolidated financial statements of the Group, any material changes in the published reserves or unusual factors affecting the profits of the Group; and

(g) as disclosed above and up to the date of this letter, no other reports are required in relation to items (a) to (f) above.

Yours faithfully,
For and on behalf of the Board of
XIDELANG HOLDINGS LTD

DING PENGPENG
Managing Director / Chief Executive Director

1. SHARE CAPITAL

(i) No securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.

(ii) As at LPD, there is only one (1) class of shares in our Company, namely ordinary shares of USD0.10 each in our Company, all of which rank *pari passu* with one another.

(iii) Save as disclosed in Section 2 of Appendix II, no securities of our Company have been issued or are proposed or intended to be issued as fully or partly paid-up in cash or otherwise than in cash within the two (2) years preceding the date of this Abridged Prospectus.

(iv) Save for the Warrants 2012, Warrants 2014 and the Additional Warrants, no person has been or is entitled to be granted an option to subscribe for any securities of our Company and no capital of our Company is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Abridged Prospectus.

2. REMUNERATION OF DIRECTORS

An extract of the provisions of our Bye-laws relating to the remuneration of our Directors are as follows:-

Bye-Law 95

The fees of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Bye-Law 96

Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

Bye-Law 97

(1) Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.

(2) The fees (including any remuneration under Bye-law 97(1) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Bye-Law 98

The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company or of a subsidiary of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

3. MATERIAL CONTRACTS

As at LPD, save for the deed poll that was executed on 15 March 2012 constituting the Warrants 2012 and the Deed Poll, there are no other contracts which are material to our Group (not being contracts entered into in the ordinary course of business) which have been entered into by our Group during the two (2) years preceding the date of this Abridged Prospectus.

4. MATERIAL LITIGATION

As at LPD, our Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and we are not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

5. GENERAL

(i) There are no service contracts or proposed service contracts between our Directors and our Company or any of our subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus;

(ii) Save as disclosed in this Abridged Prospectus, our Board is not aware of any material information, including all special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our Group's profits; and

(iii) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial condition and operations of our Group are not affected by any of the following:-

  (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease our Group's liquidity;

  (b) any material commitment for capital expenditure of our Group;

  (c) unusual, infrequent events or transactions or any significant economic changes which materially affect the amount of reported income from our operations; and

  (d) known trends or uncertainties which have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our revenues or operating income.

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6. CONSENTS

(i) The written consents of the Principal Adviser, Company Secretaries, Company Agent in Malaysia, Malaysian Share Registrar, Bermuda Share Registrar, Legal Advisers on Malaysian Law, Legal Advisers on Bermuda Law, Legal Advisers on PRC Law, Legal Advisers on Hong Kong Law and Principal Bankers for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.

(ii) The written consent of our Auditors and Reporting Accountants for the inclusion in this Abridged Prospectus of their names, letter and report relating to our proforma consolidated statements of financial position and our audited consolidated financial statements, and all reference thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.

(iii) The written consent of Bloomberg (Malaysia) Sdn Bhd to the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear has been given before the issuance of this Abridged Prospectus and has not been subsequently withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our Registered Office in Malaysia at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, during normal business hours from Mondays to Fridays (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:-

(i) our Company's Bye-laws;

(ii) our proforma consolidated statements of financial position as at 30 September 2013 together with the Reporting Accountants' Letter thereon as set out in Appendix III of this Abridged Prospectus;

(iii) our audited consolidated financial statements for the past two (2) FYEs 31 December 2011 and 2012;

(iv) our audited financial statements for the financial period ended 30 September 2013;

(v) the Undertaking referred to in Section 4 of this Abridged Prospectus;

(vi) the Directors' Report as set out in Appendix V of this Abridged Prospectus;

(vii) the material contracts referred to in Section 3 above; and

(viii) the letters of consent as referred to in Section 6 above.

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8. RESPONSIBILITY STATEMENT

(i) Our Board has seen and approved this Abridged Prospectus, together with the NPA and RSF and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

(ii) Mercury Securities, being the Principal Adviser for the Proposals, acknowledges that, based on all available information, and to the best of their knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue.

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