XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2011

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CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2011[(1)] RM'000	Quarter ended 31.12.2010 RM'000	Year to date ended 31.12.2011[(1)] RM'000	Year to date ended 31.12.2010 RM'000
Revenue	127,479	125,635	484,733	465,081
Cost of Sales	(88,415)	(84,787)	(339,867)	(313,920)
Gross Profit ("GP")	39,064	40,848	144,866	151,161
Other Income	3,881	43	4,252	320
Selling and Distribution Costs	(5,274)	(9,900)	(18,525)	(32,455)
Administrative and other expenses	(4,238)	(3,200)	(11,465)	(10,106)
Finance Costs	(450)	(407)	(1,625)	(2,143)
Profit Before Tax ("PBT")	32,983	27,384	117,503	106,777
Tax Expense	(7,538)	(8,479)	(28,862)	(28,864)
Profit for the period ("PAT")	25,445	18,905	88,641	77,913
Attributable to :				
Equity holders of the parent	25,445	18,905	88,641	77,913
Minority Interest	-	-	-	-
	25,445	18,905	88,641	77,913
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	5.78	4.73	20.29	19.48
- Diluted* (sen)	N/A	N/A	N/A	N/A

* Please refer to Note B10 for further elaboration.

Note:

(1) The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED (continued)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2011(2) RMB'000	Quarter ended 31.12.2010(2) RMB'000	Year to date ended 31.12.2011(2) RMB'000	Year to date ended 31.12.2010(2) RMB'000
Revenue	253,387	249,722	963,492	924,431
Cost of Sales	(175,740)	(168,529)	(675,546)	(623,971)
Gross Profit ("GP")	77,647	81,193	287,946	300,460
Other Income	7,714	85	8,452	636
Selling and Distribution Costs	(10,483)	(19,678)	(36,822)	(64,510)
Administrative and other expenses	(8,424)	(6,361)	(22,789)	(20,087)
Finance Costs	(894)	(809)	(3,230)	(4,260)
Profit Before Tax ("PBT")	65,560	54,430	233,557	212,239
Tax Expense	(14,983)	(16,854)	(57,368)	(57,372)
Profit for the period ("PAT")	50,577	37,576	176,189	154,867
Attributable to :				
Equity holders of the parent	50,577	37,576	176,189	154,867
Minority Interest	-	-	-	-
	50,577	37,576	176,189	154,867
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	11.49	9.40	40.33	38.72
- Diluted* (RMB cent)	N/A	N/A	N/A	N/A

* Please refer to Note B10 for further elaboration.

Note:

(1) The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

(2) The presentation currency of this unaudited interim financial report is Ringgit Malaysia ("RM"). Supplementary information in Renminbi ("RMB") for the quarter ended 31 December 2011 is shown for reference only and has been translated at the exchange rate of RMB1 to RM0.5031 at 31 December 2011. This translation should not be construed as a representation that the RM amounts actually represented have been or could be converted into RMB at this or any other rate.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2011[1] RM'000	Quarter ended 31.12.2010 RM'000	Year to date ended 31.12.2011[1] RM'000	Year to date ended 31.12.2010 RM'000
Profit for the financial period	25,445	18,905	88,641	77,913
Currency translation differences arising from consolidation	986	1,701	21,742	(12,967)
Total comprehensive income	26,431	20,606	110,383	64,946
Total comprehensive income attributable to:				
Equity holders of the parent	26,431	20,606	110,383	64,946
Minority Interest	-	-	-	-
	26,431	20,606	110,383	64,946

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2011[2] RMB'000	Quarter ended 31.12.2010[2] RMB'000	Year to date ended 31.12.2011[2] RMB'000	Year to date ended 31.12.2010[2] RMB'000
Profit for the financial period	50,577	37,576	176,189	154,867
Currency translation differences arising from consolidation	1,960	3,381	43,216	(25,774)
Total comprehensive income	52,537	40,957	219,405	129,093
Total comprehensive income attributable to:				
Equity holders of the parent	52,537	40,957	219,405	129,093
Minority Interest	-	-	-	-
	52,537	40,957	219,405	129,093

Note:

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

(2) The presentation currency of this unaudited interim financial report is Ringgit Malaysia ("RM"). Supplementary information in Renminbi ("RMB") for the quarter ended 31 December 2011 is shown for reference only and has been translated at the exchange rate of RMB1 to RM0.5031 at 31 December 2011. This translation should not be construed as a representation that the RM amounts actually represented have been or could be converted into RMB at this or any other rate.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

	Unaudited as at 31.12.2011[(1)] RM'000	*Audited as at 31.12.2010* RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	196,316	123,912
Land use rights	27,770	26,279
	224,086	150,191
Current Assets		
Inventories	11,660	14,083
Trade and other receivables	98,920	80,872
Cash and cash equivalents	117,375	80,259
	227,955	175,214
TOTAL ASSETS	452,041	325,405
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	151,660	139,438
Reserves	192,762	85,138
TOTAL EQUITY	344,422	224,576
Non-current Liabilities		
Deferred tax liabilities	12,564	7,380
Current Liabilities		
Trade and other payables	62,624	61,626
Bank borrowings	20,074	19,913
Current tax liabilities	12,357	11,910
	95,055	93,449
TOTAL LIABITLITIES	107,619	100,829
TOTAL EQUITY AND LIABILITIES	452,041	325,405
Net assets per share (sen)	78.28	56.14

Note:

(1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED (continued)

	Unaudited as at 31.12.2011(2) RMB'000	*Audited as at 31.12.2010(2)* RMB'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	390,213	246,297
Land use rights	55,198	52,234
	445,411	298,531
Current Assets		
Inventories	23,176	27,992
Trade and other receivables	196,621	160,747
Cash and cash equivalents	233,304	159,529
	453,101	348,268
TOTAL ASSETS	898,512	646,799
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	301,451	277,158
Reserves	383,148	169,228
TOTAL EQUITY	684,599	446,386
Non-current Liabilities		
Deferred tax liabilities	24,973	14,669
Current Liabilities		
Trade and other payables	124,476	122,491
Bank borrowings	39,901	39,580
Current tax liabilities	24,563	23,673
	188,940	185,744
TOTAL LIABITLITIES	213,913	200,413
TOTAL EQUITY AND LIABILITIES	898,512	646,799
Net assets per share (RMB cent)	155.60	111.59

Note:

(1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

(2) The presentation currency of this unaudited interim financial report is Ringgit Malaysia ("RM"). Supplementary information in Renminbi ("RMB") for the quarter ended 31 December 2011 is shown for reference only and has been translated at the exchange rate of RMB1 to RM0.5031 at 31 December 2011. This translation should not be construed as a representation that the RM amounts actually represented have been or could be converted into RMB at this or any other rate.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	<---- Non-distributable					---->	Distributable	
Year to date ended 31 December 2010	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Surplus Reserve RM'000**	**Merger Deficit RM'000**	**Exchange Translation Reserve RM'000**	**Treasury Shares RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
At 1 January 2010	139,438	21,776	3,827	(105,568)	(2,305)	-[(2)]	115,842	173,010
Transfer to statutory surplus reserves	-	-	8,199	-	-	-	(8,199)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(7,380)	(7,380)
Dividend	-	-	-	-	-	-	(6,000)	(6,000)
Total comprehensive income for the period	-	-	-	-	(12,967)	-	77,913	64,946
At 31 December 2010	139,438	21,776	12,026	(105,568)	(15,272)	-[(2)]	172,176	224,576

	<---- Non-distributable					---->	Distributable	
Year to date ended 31 December 2011[(1)]	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Surplus Reserve RM'000**	**Merger Deficit RM'000**	**Exchange Translation Reserve RM'000**	**Treasury Shares RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
At 1 January 2011	139,438	21,776	12,026	(105,568)	(15,272)	-[(2)]	172,176	224,576
Issuance of ordinary shares pursuant to private placement, net of related expenses	12,222	6,825	-	-	-	-	-	19,047
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(5,184)	(5,184)
Dividend	-	-	-	-	-	-	(4,400)	(4,400)
Total comprehensive income for the period	-	-	-	-	21,742	-	88,641	110,383
At 31 December 2011	151,660	28,601	12,026	(105,568)	6,470	-[(2)]	251,233	344,422

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

(2) Represent RM480, equivalent to 1000 units of ordinary shares repurchased at an average price of RM0.48.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	<------ Non-distributable					------>	Distributable	
Year to date ended 31 December 2010[2]	**Share Capital RMB'000**	**Share Premium RMB'000**	**Statutory Surplus Reserve RMB'000**	**Merger Deficit RMB'000**	**Exchange Translation Reserve RMB'000**	**Treasury Shares RMB'000**	**Retained Earnings RMB'000**	**Total Equity RMB'000**
At 1 January 2010	277,158	43,284	7,607	(209,835)	(4,582)	-[2]	230,256	343,888
Transfer to statutory surplus reserves	-	-	16,297	-	-	-	(16,297)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(14,669)	(14,669)
Dividend	-	-	-	-	-	-	(11,926)	(11,926)
Total comprehensive income for the period	-	-	-	-	(25,774)	-	154,867	129,093
At 31 December 2010	277,158	43,284	23,904	(209,835)	(30,356)	-[2]	342,231	446,386

	<------ Non-distributable					------>	Distributable	
Year to date ended 31 December 2011[2]	**Share Capital RMB'000**	**Share Premium RMB'000**	**Statutory Surplus Reserve RMB'000**	**Merger Deficit RMB'000**	**Exchange Translation Reserve RMB'000**	**Treasury Shares RMB'000**	**Retained Earnings RMB'000**	**Total Equity RMB'000**
At 1 January 2011	277,158	43,284	23,904	(209,835)	(30,356)	-[2]	342,230	446,385
Issuance of ordinary shares pursuant to private placement, net of related expenses	24,293	13,566	-	-	-	-	-	37,859
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(10,304)	(10,304)
Dividend	-	-	-	-	-	-	(8,746)	(8,746)
Total comprehensive income for the period	-	-	-	-	43,216	-	176,189	219,405
At 31 December 2011	301,451	56,850	23,904	(209,835)	12,860	-[2]	499,369	684,599

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

(2) The presentation currency of this unaudited interim financial report is Ringgit Malaysia (“RM”). Supplementary information in Renminbi (“RMB”) for the quarter ended 31 December 2011 is shown for reference only and has been translated at the exchange rate of RMB1 to RM0.5031 at 31 December 2011. This translation should not be construed as a representation that the RM amounts actually represented have been or could be converted into RMB at this or any other rate.

(3) Represent RM480, equivalent to 1000 units of ordinary shares repurchased at an average price of RM0.48.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

	Year to date ended	
	31.12.2011[1]	31.12.2010
	RM'000	RM'000
Profit before tax	117,503	106,777
Adjustments for non-cash flow:-		
Non-cash items	(2,694)	1,669
Non-operating items	1,154	1,823
Operating profit before working capital changes	115,963	110,269
Changes in working capital		
Net change in current assets	(7,519)	(24,674)
Net change in current liabilities	(2,996)	24,585
Cash generated from operating activities	105,448	110,180
Income tax paid	(29,977)	(24,008)
Net cash generated from operating activities	75,471	86,172
Investing activities		
Interest received	471	320
Proceeds from disposal of property, plant and equipment	105	130
Purchase of property, plant and equipment	(59,115)	(70,152)
Net cash used in investing activities	(58,539)	(69,702)
Financing activities		
Proceeds from issuance of shares	19,047	-
Dividend paid to former equity holder of a subsidiary	-	(18,001)
Dividend paid to equity holders of the Company	(4,400)	(6,000)
Drawdown of borrowings	55,896	48,388
Net repayment of borrowings	(57,241)	(66,934)
Interest paid	(1,625)	(2,143)
Reduction in/(Placement) of deposits pledged to bank	(2)	25
Net cash generated from/(used in) financing activities	11,675	(44,665)
Net change in cash and cash equivalents	28,607	(28,195)
Cash and cash equivalents at beginning of financial period	79,280	115,265
Effect of changes in exchange rate	8,429	(7,790)
Cash and cash equivalents at end of financial period	116,316	79,280

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED (continued)

	Year to date ended 31.12.2011[1] RM'000	31.12.2010 RM'000
Cash and cash equivalents at end of financial period		
Cash and bank balances	116,316	79,280
Deposits placed with financial institutions	1,059	979
	117,375	80,259
Less: Deposits pledged to financial institutions	(1,059)	(979)
	116,316	79,280

Note:

(1) The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED (continued)

	Year to date ended	
	31.12.2011(2)	31.12.2010(2)
	RMB'000	RMB'000
Profit before tax	233,557	212,239
Adjustments for non-cash flow:-		
Non-cash items	(5,354)	3,316
Non-operating items	2,294	3,624
Operating profit before working capital changes	230,497	219,179
Changes in working capital		
Net change in current assets	(14,945)	(49,044)
Net change in current liabilities	(5,955)	48,867
Cash generated from operating activities	209,597	219,002
Income tax paid	(59,585)	(47,720)
Net cash generated from operating activities	150,012	171,282
Investing activities		
Interest received	936	636
Proceeds from disposal of property, plant and equipment	209	258
Purchase of property, plant and equipment	(117,501)	(139,439)
Net cash used in investing activities	(116,356)	(138,545)
Financing activities		
Proceeds from issuance of shares	37,859	-
Dividend paid to former equity holder of a subsidiary	-	(35,780)
Dividend paid to equity holders of the Company	(8,746)	(11,926)
Drawdown of borrowings	111,103	96,180
Net repayment of borrowings	(113,777)	(133,043)
Interest paid	(3,230)	(4,260)
(Placement)/Reduction in of deposits pledged to bank	(4)	50
Net cash generated from/(used in) financing activities	23,205	(88,779)
Net change in cash and cash equivalents	56,861	(56,042)
Cash and cash equivalents at beginning of financial period	157,583	229,110
Effect of changes in exchange rate	16,754	(15,484)
Cash and cash equivalents at end of financial period	231,198	157,584

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED (continued)

	Year to date ended	
	31.12.2011(2)	31.12.2010(2)
	RMB'000	RMB'000
Cash and cash equivalents at end of financial period		
Cash and bank balances	231,198	157,584
Deposits placed with financial institutions	2,106	1,945
	233,304	159,529
Less: Deposits pledged to financial institutions	(2,106)	(1,945)
	231,198	157,584

Note:

(1) The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

A1. Basis of Preparation

a) Basis of accounting

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements. The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2010, except for the adoption of the new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations which are mandatory for annual periods beginning on or after 1 January 2011 as explained in Note A1 (c) below.

b) Basis of consolidation

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

A1. Basis of Preparation (cont'd)

c) Adoption of New FRSs, Amendments to FRSs and IC Interpretations

On 1 January 2011, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

FRS 1	*First-time Adoption of Financial Reporting Standards*
Amendments to FRS 1	*Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
Amendments to FRS 1	*Additional Exemptions for First-time Adopters*
Amendments to FRS 2	*Share-based Payment*
Amendments to FRS 2	*Group Cash-settled Share-based Payment Transactions*
Amendments to FRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
Amendments to FRS 7	*Improving Disclosures about Financial Instruments*
FRS 3	*Business Combinations*
FRS 127	*Consolidated and Separate Financial Statements*
Amendments to FRS 132	*Financial Instruments: Presentation – Classification of Rights Issues*
Amendments to FRS 138	*Intangible Assets*
IC Interpretation 4	*Determining Whether an Arrangement contains a Lease*
Amendments to IC Interpretation 9	*Reassessment of Embedded Derivatives*
IC Interpretation 12	*Service Concession Arrangements*
IC Interpretation 16	*Hedges of a Net Investment in a Foreign Operation*
IC Interpretation 17	*Distributions of Non-cash Assets to Owners*
IC Interpretation 18	*Transfer of Assets from Customers*

Amendments to FRSs contained in the document entitled "*Improvements to FRSs (2010)*"

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations do not have a material impact on the interim financial information of the Group, other than additional disclosure requirements upon adoption of Amendments to FRS 7 which would affect the 2011 annual financial statements.

A1. Basis of Preparation (cont'd)

d) Malaysian Financial Reporting Standards (MFRS)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the financial position as at 1 January 2012 to amounts reflecting the application of MFRS Framework.

The Group has started a preliminary assessment on the differences between FRS and accounting standards under the MFRS Framework and is in the process of assessing the financial effects of the differences. Additional information, where applicable, would be disclosed in future interim financial reports and the annual financial statements for the financial year ending 31 December 2012.

A2. Auditors' Report

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2010 was not qualified.

A3. Seasonality or Cyclicality of Operation

We experience some seasonality in our business. Generally, demand for sports shoes reaches its peak during the spring / summer and autumn / winter seasons. This is when we organise launches of each new season's collection of sports shoes and apparels for our existing and potential customers. This takes place twice a year, during the spring / summer and autumn / winter seasons. Customers and potential buyers (including distributors and retailers) will then indicate their intended three-month orders for our new collection of sports shoes and apparel. This is a common practice within the sports shoe industry in the Peoples' Republic of China.

A4. Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period under review.

A5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the current financial quarter.

A6. Debts and Equity Securities

Issuance of shares
On 9 December 2010, the Company had proposed to undertake a private placement of up to 40,000,000 new ordinary shares of US$0.10 each in the Company ("Placement Shares"), representing up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement"). Conditional approval was obtained from the Bursa Malaysia Securities Berhad on 27 December 2010 (relevant announcement had been made on 28 December 2010).

On 19 January 2011, the Company completed the listing and quotation of the first tranche of the Private Placement, which comprising 20,000,000 Placement Shares issued at an issue price of RM0.48 per Placement Share.

On 8 February 2011, the Company completed listing and quotation of the second and final tranche of the Private Placement, which comprising 19,999,900 Placement Shares issued at an issue price of RM0.48 per Placement Share.

The Private Placement is deemed completed on 8 February 2011.

Other than the above, there were no cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

A7. Dividend paid

The final tax exempt dividend of 1.0 sen per ordinary share amounting to RM4.4 million in respect of the financial year ended 31 December 2010 was approved by shareholders at the last Annual General Meeting held on 24 June 2011, and paid on 5 September 2011.

The Board of Directors did not recommend any payment of dividend in the current financial period.

A8. Segment Information

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 Peoples' Republic of China ("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 are located.

As the Group's chief operating decision maker, the Group's Chief Executive Officer in this context, relies on internal reports which are similar to those currently disclosed externally, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by FRS 8:

Sales revenue by region

During the financial period under review, 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, as disclosed below:

	Sales revenue by regions	
	Quarter ended 31.12.2011 RM'000	**Year to date ended 31.12.2011 RM'000**
Within the PRC:		
- Eastern region	10,005	58,607
- Southern region	47,656	177,692
- Western region	42,890	130,618
- Northern region	26,928	117,816
	127,479	484,733

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 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.

A8. Segment Information (cont'd)

Sales revenue by products

	Sales revenue by products	
	Quarter ended 31.12.2011 RM'000	**Year to date ended 31.12.2011 RM'000**
Sports shoes	64,284	255,791
Sports apparel, accessories and equipment	63,195	228,942
	127,479	484,733

A9. Property, Plant and Equipment

The valuation of property, plant and equipment, if any, has been brought forward without amendment from the previous audited financial statements.

A10. Subsequent Material Events

There are no material events subsequent to the end of the current quarter that will affect materially the results in the financial period under review as at the date of this report.

However, the Board wishes to highlight the following:

- On 18 January 2012, the Board of Directors have proposed to undertake the following:-
  a) a private placement of up to 43,999,990 new ordinary shares of US$0.10 each in the Company ("Placement Shares"), representing up to 10% of the total issued and paid-up share capital of the Company (inclusive of treasury shares) **("Proposed Private Placement 2012")**;
  b) a bonus issue of up to 241,999,945 new Shares ("Bonus Shares") (after the Proposed Private Placement 2012), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled shareholders of the Company on an entitlement date to be determined by the Board and announced later ("Entitlement Date") **("Proposed Bonus Issue")**;
  c) a renounceable rights issue of up to 241,999,945 warrants in the Company ("Warrant[s]") (after the Proposed Private Placement 2012), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing Shares held by the entitled shareholders of the Company on the same Entitlement Date as the Proposed Bonus Issue **("Proposed Right Issue of Warrants")**; and
  d) increase in the authorised share capital of the Company from US$50,000,000 comprising 500,000,000 Shares to US$300,000,000 comprising 3,000,000,000 Shares **("Proposed Increase in Authorised Share Capital)**.

  The above collectively referred to as "Proposals".

A10. Subsequent Material Events (cont'd)

- On 31 January 2012, the Company has obtained the conditional approval from Bursa Malaysia Securities Berhad for the listing and quotation of up to 43,999,990 Shares to be issued pursuant to the Proposed Private Placement.
- On 14 February 2012, the Board of Directors has fixed an issue price of RM0.40 per Placement Share for the first tranche of the private placement, comprising 39,000,000 Placement Shares.
- On 22 February 2012, the Company completed the listing and quotation of the first tranche of the Proposed Private Placement 2012, which comprising 39,000,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.

Relevant announcements on the Proposals have been published via Bursa Malaysia's website dated 18 January 2012, 26 January 2012, 31 January 2012, 10 February 2012, 14 February 2012 and 22 February 2012.

A11. Changes in the Composition of the Group

There are no changes in the composition of the Group during the financial period under review.

A12. Changes in Contingent Liabilities

There are no material contingent liabilities as at the date of this report.

A13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2011 is as follows:

	As at 31.12.2011 RM'000
Property, plant and equipment	
Contracted but not provided for	10,062
Approved but not contracted for	50,813

A14. Significant Related Party Transactions

	Quarter ended 31.12.2011 RM'000	Year to date ended 31.12.2011 RM'000
Rental paid to related parties	318	1,227

These transactions have been entered into in the ordinary course of business and established under negotiated commercial terms.

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Analysis of Performance

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.

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 (with the supervision of the Board) 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.

The Group has recorded a consistent performance during the financial year under review with revenue approximated to RM127.5 million for the current quarter and RM484.7 million for the financial year to date, representing an increase of 1% and 4% respectively as compared to corresponding period in year 2010.

The slowdown in sales growth during the financial year under review is primarily attributable to the following factors:

(i) The market consumption level of our Group's targeted consumer base has remained at a steady level, shaped by a more prudent spending habit amid the uncertainties in the development of the global economy.
(ii) Intensified competition among the industry players, ranging from international famous brands, domestic top brands, as well as other domestic brands with a similar level and lower level of recognition as compared to our Group.
(iii) Strategic fine-tuning of the expansion plan focusing on identifying and collaborating with independent distributors that can contribute a long-term promising performance, rather than continuous aggressive market-coverage widening plan which risk jeopardising the Group's proprietary brand name and long-term performance.

The two broad product categories offered by the Group comprised:
- Sport shoes which include skateboard shoes, basketball shoes, running shoes, tennis shoes, casual shoes, outdoor shoes, high-heel shoes and OEM sport shoes.
- Sports apparel, accessories and equipment which include, amongst others, sports T-shirt, jacket suit, winter-clothing, cap, socks, sports bag.

B1. Analysis of Performance (cont'd)

Sports apparel, accessories and equipment have been the focus of the Group given its relatively short replacement lifespan as compared to sports shoes. During the financial year under review, sports apparel, accessories and equipment accounted for approximately 47% of the Group's total revenue and have welcomed a growth of RM376,000 for the current financial quarter and RM12.4 million for the financial year to date. This has been achieved primarily through increase in average selling prices. On-going product innovation with diversified range of products and artiste effects (via appointment of young celebrities as the product ambassador) complemented by active advertising and promotional activities enabled the Group to revise its average selling prices in conjunction with the strengthening product branding, mitigating the negative impact of decrease in sales volume of sports apparel, accessories and equipment as a result of the prudent spending habit of the end consumer which pay for quality rather than quantity.

Sports shoes, on the other hand, have recorded a growth of RM1.5 million for the current financial quarter and RM7.3 million for the financial year to date. Sales to independent distributors under 'XiDeLang" brand name encountered slowdown with a decrease in volume sold. This, nonetheless, has been partially mitigated by an overall increase in the average selling prices. This is mainly due to the Group has gone through the aggressive penetration and expansion stage, with the existing distributorship and network coverage reaching its maturity stage with stable demand. The Group has been on active search for appropriate and experienced distributors to venture into new areas that have yet to be covered but the process has been more prudent to preserve the quality of the brand name and to ensure the selected distributors are able to perform on long-term basis.

OEM sports shoes manufacturing, mainly for export market through import/export trading companies, has witnessed a bullish year in 2011, with the sales doubled to approximately RM48 million for the financial year to date. This has contributed positively to the Group's revenue and underlay the main driver for the sales growth in sports shoes during the financial year under review. Current financial quarter performance remained relatively consistent as compared to the corresponding period in year 2010. Stringent quality-control and established reputation in the industry represented the keys to increased OEM orders received. OEM manufacturing not only served as an additional source of income for the Group, but it also served the strategic purpose of exposing the Group to the trend changes outside the PRC.

B1. Analysis of Performance (cont'd)

In summary, the Group has leveraged on the following factors to maintain and improve its sales performance:

a) Long-term rapport with the independent distributors which enabled the Group to benefit from their extensive experience and knowledge in retail sales within their respective provinces. This certainly eased the Group in terms of daily monitoring and enabled the Group to focus on the core competencies (product innovation and brand building), as well as access to the local market across the provinces within the PRC.
b) Stringent product quality-control which earned the Group's established reputation in the industry, as well as consumer confidence and loyalty.
c) Active advertising and promotional activities, both media-based as well as through appointment of product ambassadors to take advantage of their popularity.
d) Continuous product innovation with diversified product range to cater for the changing consumer taste and needs, as well as to maintain the products attractiveness to capitalise on consumer loyalty.

Gross profit margin ('GP Margin') of the Group stood at 30.6% for the current financial quarter (2010: 32.5%) and 29.9% for the financial year to date (2010: 32.5%). The lower gross profit margin achieved by the Group in the current financial quarter and year to date was mainly attributable to inflated material costs and labour costs where the additional production cost burden was unable to be fully passed-on to the consumers, in view of the increasing prudent spending habit and value-for-money perception of the end consumers.

GP margin for sports shoes reported a slight decrease from 30% to 25% in the current financial quarter and financial year under review, while the GP margin for sports apparel, accessories and equipment reported an improvement from 38% to 40% during the financial quarter and financial year under review.

The erosion in GP margin for sports shoes was triggered by the increased cost pressure for raw materials and labour costs, which represented the main challenges facing the sportswear manufacturing industry in the PRC. Inflation in raw material cost was triggered by the fluctuating cotton prices, rubber prices and petrol prices which constituted the prime cost drivers for both the upstream and downstream of sportswear manufacturing industry. Labour costs upsurge was primarily due to demand-supply effect where the industry generally encountering skilled-labour difficulties, forcing the industry players to increase the wage level in order to retain and attract skilled-labours. This situation worsened with the improving living standards in the PRC where the labours demand for a higher wage level or switching to other industries with higher pay level.

B1. Analysis of Performance (cont'd)

Profit before tax ('PBT') has recorded an increase, with current financial quarter PBT approximated to RM33.0 million (2010: RM27.4 million) and financial year to date PBT approximated to RM117.5 million (2010: RM106.8 million). This was primarily due to lower selling and distribution costs incurred as a result of lesser subsidies given to distributors for new outlets as the existing network coverage of the respective distributors have reached the maturity stage and the Group is currently conducting strategic fine-tuning on the expansion plan and be more prudent in new distributor admission to preserve the quality of the brand name, and higher other income recorded mainly due to unrealised foreign exchange gain recorded.

Profit after tax ('PAT'), in conjunction with the improvement in PBT, has enjoyed a growth from RM18.9 million to RM25.4 million in the current financial quarter and from RM77.9 million to RM88.6 million in the current financial year to date.

B2. Variation of Results against Preceding Quarter

	Current quarter ended 31 December 2011 RM'000	Preceding quarter ended 30 September 2011 RM'000
Revenue	127,479	132,942
Profit before taxation ("PBT")	32,983	32,113

Revenue of the Group recorded a slight decrease in the fourth quarter of 2011 as compared to the preceding quarter, with revenue narrowed by RM5.5 million or 4%. This was primarily due to the change in consumer spending habit to be more prudent amid the challenges facing the global economy, as well as slowdown in OEM orders towards the last quarter of 2011.

PBT has remained relatively consistent between the current quarter and the preceding quarter, with a slight improvement of RM870,000. This was primarily due to a higher other income recorded as result of unrealised foreign exchange gain, partially mitigated by increased selling and distribution costs and administrative expenses in the current financial quarter.

B3. Next Year Prospects

Uncertainties revolving the European sovereign debt crisis and disruption due to unprecedented wave of natural disasters in the completed year 2011 have undoubtedly dampen the possibility of a bullish outlook for the global economy in financial year ending 2012.

The Group is strategically positioned to focus on domestic demand within the People's Republic of China ("PRC"). Backed by the large population of PRC that is expected to reach 1.4 billion, rising health-consciousness coupled with growing disposable income among the PRC citizen and stimulating passion for sports awaiting the commencement of London Olympic 2012, demand for sportswear is expected to remain strong.

While the general public might be more cost-conscious in daily spending, the Group is expected to benefit from that due to its competitive pricing (affordable price level with reasonable level of brand recognition) as compared to other international famous brand which usually tends to be more expensive.

Therefore, the Board of Directors remains prudent yet optimistic on the overall outlook of the Group's performance in year 2012. The Board of Directors is dedicated to stay vigilant amid the challenges and uncertainties facing the global economy and would react promptly towards any adverse development, in order to safeguard the shareholders and stakeholders interests bona fide.

B4. Profit Forecast

Not applicable as no profit forecast was previously published.

B5. Income Tax Expense

Taxation comprises the following:-

	Quarter ended 31.12.2011 RM'000	**Year to date ended 31.12.2011 RM'000**
Income tax expense	7,538	28,862
Effective tax rate	22.9%	24.6%

The effective tax rate of the Group for the current quarter and year to date was 22.9% and 24.6% respectively, which was slightly lower than the statutory tax rate of 25% applicable in the PRC (i.e. the primary operating environment of the Group). The variance was primarily due to some non-taxable income excluded in deriving the actual tax computation.

B6. Status of Corporate Proposals and Utilisation of Proceeds

(i) Initial Public Offering ("IPO")

The status of the utilisation of gross proceeds from Public Issue is as follows:

	Purpose	Intended Timeframe	Proposed utilisation RM'000	Actual Utilisation RM'000	Deviation Amount RM'000	%	Remark
i)	Advertising and branding	Within 12 months	9,200	9,200	-	-	-
ii)	Expansion of marketing and distribution network	Within 12 months	18,400	18,400	-	-	-
iii)	Research and extension of product portfolio	Within 12 months	2,300	2,300	-	-	-
iv)	Expansion of production capacity	Within 12 months	16,100	16,100	-	-	-
v)	Working capital	On-going	4,000	4,350	(350)	(9)	N1
vi)	Estimated listing expenses	Immediate	8,000	7,650	350	4	N1
			58,000	58,000	6,796		

N1 The total listing and share issue expenses were RM7.65 million. The excess of RM350,000 as compared to budget of RM8 million was utilised for working capital purpose.

(ii) Private Placement 2011

On 9 December 2010, the Company proposed to undertake a private placement of up to 40,000,000 new ordinary shares of US$0.10 each (including 1,000 treasury shares and assuming the 1,000 treasury shares are resold in the market) in the Company ("Placement Shares"), representing up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Private Placement 2011"). Conditional approval was obtained from the Bursa Malaysia Securities Berhad on 27 December 2010 and the relevant announcement had been made on 28 December 2010.

On 19 January 2011, the Company completed the listing and quotation of the first tranche of the Private Placement, which comprising 20,000,000 Placement Shares issued at an issue price of RM0.48 per Placement Share.

On 8 February 2011, the Company completed listing and quotation of the second and final tranche of the Private Placement, which comprising 19,999,900 Placement Shares issued at an issue price of RM0.48 per Placement Share.

The Private Placement 2011 was deemed completed on 8 February 2011. The net proceeds raised were utilised for working capital purpose and has been utilised fully.

B6. Status of Corporate Proposals and Utilisation of Proceeds

(iii) Proposals announced on 18 January 2012

- On 18 January 2012, the Board of Directors have proposed to undertake the following:-

  a) a private placement of up to 43,999,990 new ordinary shares of US$0.10 each in the Company ("Placement Shares"), representing up to 10% of the total issued and paid-up share capital of the Company (inclusive of treasury shares) **("Proposed Private Placement 2012")**;
  b) a bonus issue of up to 241,999,945 new Shares ("Bonus Shares") (after the Proposed Private Placement 2012), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled shareholders of the Company on an entitlement date to be determined by the Board and announced later ("Entitlement Date") **("Proposed Bonus Issue")**;
  c) a renounceable rights issue of up to 241,999,945 warrants in the Company ("Warrant[s]") (after the Proposed Private Placement 2012), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing Shares held by the entitled shareholders of the Company on the same Entitlement Date as the Proposed Bonus Issue **("Proposed Right Issue of Warrants")**; and
  d) increase in the authorised share capital of the Company from US$50,000,000 comprising 500,000,000 Shares to US$300,000,000 comprising 3,000,000,000 Shares **("Proposed Increase in Authorised Share Capital)**.

  The above collectively referred to as "Proposals".

- On 31 January 2012, the Company has obtained the conditional approval from Bursa Malaysia Securities Berhad for the listing and quotation of up to 43,999,990 Shares to be issued pursuant to the Proposed Private Placement 2012.
- On 14 February 2012, the Board of Directors has fixed an issue price of RM0.40 per Placement Share for the first tranche of the private placement, comprising 39,000,000 Placement Shares.
- On 22 February 2012, the Company completed the listing and quotation of the first tranche of the Proposed Private Placement 2012, which comprising 39,000,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.

Relevant announcements on the Proposals have been published via Bursa Malaysia's website dated 18 January 2012, 26 January 2012, 31 January 2012, 10 February 2012, 14 February 2012 and 22 February 2012.

B7. Borrowings

Details of the Group's borrowings as at 31 December 2011 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Short term bank loans	-	6,188	6,188
Recourse factoring	13,886	-	13,886
	13,886	6,188	20,074

All the borrowings are denominated in RMB, the functional currency of the primary operating subsidiaries in the PRC.

B8. Changes in Material Litigation

As at date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9. Dividends

The final tax exempt dividend of 1.0 sen per ordinary share amounting to RM4.4 million in respect of the financial year ended 31 December 2010 was approved by shareholders at the last Annual General Meeting held on 24 June 2011, and paid on 5 September 2011.

The Board of Directors did not recommend any payment of dividend in the current financial period.

B10. Earnings per Share

The basic earnings per share is calculated as follows:-

	Current quarter ended		Year to date ended	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Basic earnings per share				
Profit attributable to ordinary equity holders of the parent	25,445	18,905	88,641	77,913
Weighted average number of ordinary shares in issue ('000)	439,999	400,000	439,999	400,000
	sen	sen	sen	sen
Basic earnings per share	5.78	4.73	20.29	19.48

The diluted earnings per share are not shown as there were no dilutive instruments as at reporting date. However, upon completion of the Proposals as disclosed under Note A10, there would be dilutive instruments which would result in dilution to the earnings per share. Further information would be disclosed in future interim financial reports and in annual financial statements for the financial year ending 2012, as and when the need arises.

B11. Disclosure on realised and unrealised profit/loss

The retained earnings of the Group as at 31 December 2011 are analysed as follows:

	As at 31.12.2011 RM'000
The retained earnings of the Company and its subsidiaries:	
- Realised	253,434
- Unrealised	12,620
	266,054
Add: Consolidation adjustments	(14,821)
Total Group retained earnings as per consolidated financial statements	251,233

B12. Financial instruments

Derivatives

The Group does not have any derivative financial instruments.

Disclosures of Gains/Losses arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities reported by the Group during the financial period under review.

B13. Disclosure on selected expense/income items as required by the Listing Requirements of Bursa Malaysia Securities Berhad

Included in profit before tax comprised the following expense/(income) items:

	Quarter ended 31.12.2011 RM'000	Year to date ended 31.12.2011 RM'000
Interest income	(156)	(471)
Interest expense	728	1,625
Depreciation and amortisation expenses	201	900
Foreign exchange gain	(1,164)	(3,694)
Property, plant and equipment ('PPE') written off	18	28
(Gain)/Loss on disposal of PPE	(59)	73
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of assets	N/A	N/A
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

"N/A" denotes not applicable.