



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2013**

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2013 <sup>(1)</sup> RMB'000	Quarter ended 30.6.2012 RMB'000	Year to date ended 30.6.2013 <sup>(1)</sup> RMB'000	Year to date ended 30.6.2012 RMB'000
Revenue	154,866	243,269	291,032	471,862
Cost of Sales	(110,574)	(165,384)	(210,248)	(322,489)
Gross Profit ("GP")	44,292	77,885	80,784	149,373
Other Income	1,696	362	1,995	662
Selling and Distribution Costs	(4,982)	(9,922)	(9,215)	(19,276)
Administrative and Other Expenses	(8,055)	(7,830)	(12,094)	(12,743)
Finance Costs	(156)	(857)	(271)	(1,485)
<b>Profit before Tax ("PBT")</b>	<b>32,795</b>	<b>59,638</b>	<b>61,199</b>	<b>116,531</b>
Tax Expense	(8,684)	(15,137)	(15,767)	(29,642)
<b>Profit For The Period ("PAT")</b>	<b>24,111</b>	<b>44,501</b>	<b>45,432</b>	<b>86,889</b>
<b>Other Comprehensive Income:</b>				
Foreign currency translations	(1,199)	(187)	(1,396)	(391)
Other Comprehensive Income, net of tax	(1,199)	(187)	(1,396)	(391)
<b>Total Comprehensive Income</b>	<b>22,912</b>	<b>44,314</b>	<b>44,036</b>	<b>86,498</b>
<b>Profit attributable to:</b>				
Equity holders of the parent	24,111	44,501	45,432	86,889
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	22,912	44,314	44,036	86,498
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (RMB cent)	3.32	6.13	6.26	12.29
- Diluted (RMB cent)	*	*	*	*

\* Refer Note B9 for further details.

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 2012 and the accompanying explanatory notes attached to this interim financial report.



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

	As at 30.6.2013 <sup>(1)</sup> RMB'000	As at 31.12.2012 RMB'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	543,401	494,565
Land use rights	53,373	53,982
	596,774	548,547
<b>Current Assets</b>		
Inventories	25,965	22,500
Trade and other receivables (Note #)	180,062	170,295
Tax recoverable	815	-
Cash and cash equivalents	291,134	305,108
	497,976	497,903
<b>TOTAL ASSETS</b>	<b>1,094,750</b>	<b>1,046,450</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	488,281	488,281
Reserves	449,268	414,594
<b>TOTAL EQUITY</b>	937,549	902,875
<b>Non-current Liabilities</b>		
Deferred tax liabilities	29,781	27,443
<b>Current Liabilities</b>		
Trade and other payables (Note @)	106,323	100,536
Bank borrowings	10,000	-
Current tax liabilities	11,097	15,596
	127,420	116,132
<b>TOTAL LIABILITIES</b>	157,201	143,575
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,094,750</b>	<b>1,046,450</b>
<b>Net assets per share (RMB)</b>	1.29	1.24

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 2012 and the accompanying explanatory notes attached to this interim financial report.

(#) Average credit terms granted to trade receivables by the Group are ninety (90) days.

(@) Average credit terms granted by trade payables to the Group are ninety (90) days.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

Quarter and year to date ended 30 June 2012	←----- Non-distributable ----->						Distributable		Total Equity RMB'000
	Share Capital RMB'000	Share Premium RMB'000	Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000	Retained Earnings RMB'000	
At 1 January 2012	299,552	58,661	-	24,836	(204,906)	(88)	(1)	506,547	684,601
Issuance of ordinary shares pursuant to private placement, net of related expenses	27,704	8,497	-	-	-	-	-	-	36,201
Bonus issue	161,025	(67,158)	-	-	-	-	-	(93,867)	-
Rights issue of warrants	-	-	25,151	-	-	-	-	-	25,151
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	-	(4,448)	(4,448)
Total comprehensive income for the period	-	-	-	-	-	(391)	-	86,889	86,498
At 30 June 2012	488,281	-	25,151	24,836	(204,906)	(479)	(1)	495,121	828,003



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)  
(UNAUDITED)**

Quarter and year to date ended 30 June 2013 <sup>(1)</sup>	←----- Non-distributable ----->					Distributable		Total Equity RMB'000
	Share Capital RMB'000	Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000	Retained Earnings RMB'000	
At 1 January 2013	488,281	25,151	24,912	(204,906)	(373)	(1)	569,811	902,875
Transfer to statutory surplus reserve	-	-	452	-	-	-	(452)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(2,338)	(2,338)
Dividend declared	-	-	-	-	-	-	(7,024)	(7,024)
Total comprehensive income for the period	-	-	-	-	(1,396)	-	45,432	44,036
At 30 June 2013	488,281	25,151	25,364	(204,906)	(1,769)	(1)	605,429	937,549

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 2012 and the accompanying explanatory notes attached to this interim financial report.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Year to date ended	
	30.6.2013 <sup>(1)</sup> RMB'000	30.6.2012 RMB'000
Profit before tax	61,199	116,531
Adjustments for non-cash flow:-		
Non-cash items	2,323	958
Non-operating items	(288)	823
Operating profit before working capital changes	63,234	118,312
Changes in working capital		
Net change in current assets	(13,232)	(7,712)
Net change in current liabilities	(2,972)	4,914
Cash generated from operating activities	47,030	115,514
Income tax paid	(18,002)	(38,343)
Net cash generated from operating activities	29,028	77,171
Investing activities		
Interest received	560	662
Purchase of property, plant and equipment	(51,985)	(50,000)
Net cash used in investing activities	(51,425)	(49,338)
Financing activities		
Proceeds from issuance of shares pursuant to private placement	-	36,729
Private placement expenses	-	(528)
Proceeds from right issues of warrants	-	25,151
Drawdown of borrowings	10,000	10,500
Repayment of borrowings	-	(8,100)
Interest paid	(271)	(1,485)
Reduction in/(Placement) of deposits pledged to bank	(2,142)	(6)
Net cash generated from financing activities	7,587	62,261
Net change in cash and cash equivalents	(14,810)	90,094
Cash and cash equivalents at beginning of financial period	305,096	231,198
Effect of changes in exchange rate	(1,306)	(391)
Cash and cash equivalents at end of financial period	288,980	320,901
Cash and cash equivalents at end of financial period		
Cash and bank balances	288,980	320,901
Deposits placed with financial institutions	2,154	2,111
	291,134	323,012
Less: Deposits pledged to financial institutions	(2,154)	(2,111)
	288,980	320,901

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 2012 and the accompanying explanatory notes attached to this interim financial report.

## A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)

### A1. Basis of Preparation

#### a) Basis of accounting

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements as set out in MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to this interim financial report.

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 2012.

The significant accounting policies and methods of computation applied in these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2012, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Government Loans (Amendments to MFRS 1)	
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)	
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)	
Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	
Amendments to MFRSs (Annual Improvements 2009-2011 Cycle)	



#### **A1. Basis of Preparation (cont'd)**

The adoption of the above MFRSs, IC Interpretation and Amendments to MFRSs did not have any significant financial impact to the Group.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

##### Effective for annual periods commencing on or after 1 January 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)  
Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)

##### Effective for annual periods commencing on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

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.

#### **A2. Auditors' Report**

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2012 was not qualified.

#### **A3. Seasonality or Cyclicity of Operation**

Consistent with preceding quarter, our Group's operations are exposed to certain degree of seasonality, inherent in the sportswear industry which is affected by fast-changing fashion trends and consumer's tastes and preferences.

Traditionally, consumer demand for our Group's products would increase during the festive season and during the transition of one season to another season (spring/summer and autumn/winter).

It is the Group's practices to organise product launching conferences periodically, in conjunction with the launches of new season's collection of sports shoes and apparels. Authorised distributors and retailers are invited to the conferences during which feedbacks on, and indicative orders for, the new collection of sports shoes and apparels would be gathered. This is common practice within the sportswear industry in 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**

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Company during the financial period under review.

#### **A7. Dividend paid**

The Board of Directors have recommended a single-tier final dividend of 0.50 sen per ordinary share for the financial year ended 31 December 2012, which was duly approved by the members during the Annual General Meeting held on 10 June 2013.

Total final dividend of RM3,629,985 has been paid on 18 July 2013, in respect of financial year ended 31 December 2012.

The Board of Directors did not propose 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 MFRS 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. 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 and based on the following regional groupings:

- Eastern region: Jiangsu, Zhejiang, Shandong and Shanghai
- Southern region: Fujian, Guangdong, Hubei, Hunan, Jiangxi and Anhui
- Western region: Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang, Shaanxi
- Northern region: Beijing, Hebei, Henan, Heilongjiang, Liaoning, Shanxi, Jilin and Tianjin.



#### A8. Segment Information (cont'd)

	Quarter ended 30.6.2013 RMB'000	Quarter ended 30.6.2012 RMB'000	Year to date ended 30.6.2013 RMB'000	Year to date ended 30.6.2012 RMB'000
Within the PRC:				
- Eastern region	9,262	27,954	18,544	51,458
- Southern region	62,067	91,093	118,706	173,780
- Western region	46,050	65,470	82,781	130,638
- Northern region	37,487	58,752	71,001	115,986
	154,866	243,269	291,032	471,862

#### *Sales revenue by products*

	Quarter ended 30.6.2013 RMB'000	Quarter ended 30.6.2012 RMB'000	Year to date ended 30.6.2013 RMB'000	Year to date ended 30.6.2012 RMB'000
Sports shoes	89,404	128,388	168,753	245,212
Sports apparels, accessories and equipment	65,462	114,881	122,279	226,650
	154,866	243,269	291,032	471,862

#### A9. Subsequent Material Events

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

#### A10. Changes in the Composition of the Group

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

#### A11. Changes in Contingent Liabilities

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



## A12. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2013 is as follows:

	<b>As at 30.6.2013 RMB'000</b>
<b>Property, plant and equipment</b>	
Contracted but not provided for	34,946
Approved but not contracted for	<u>37,554</u>

## A13. Significant Related Party Transactions

	<b>Quarter ended 30.6.2013 RMB'000</b>	<b>Quarter ended 30.6.2012 RMB'000</b>	<b>Year to date ended 30.6.2013 RMB'000</b>	<b>Year to date ended 30.6.2012 RMB'000</b>
Rental paid to related parties	<u>402</u>	<u>651</u>	<u>970</u>	<u>1,301</u>

These transactions have been entered into in the ordinary course of business and established under negotiated commercial terms, which are not more favourable to the related parties than those available to unrelated external parties.



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

### **B1. Analysis of Performance**

#### Revenue & Gross Profit

The sportswear industry in China is going through a period of consolidation and correction. The industry development in the past few years was burdened by the unfavourable macro-factors including the prolonged uncertainties of the global economy and the moderation of China's economy growth. The increasingly sophisticated consumer demand and prudent spending sentiment has weighed down the market demand. The operating environment is further complicated by the uncertainties in operating costs with rising labour and raw materials costs.

Recognising the uncertainties on the recovery of global economy and the moderation of China's economy growth, our Group had carried out internal market study on the prevailing industry condition giving due consideration to the consumer demand, spending sentiment and the operating risk exposure of the Group. Based on the findings and after discussion with the authorised distributors, our Group has reached consensus with the authorised distributors to implement prudent control on order level during the first half of 2013. Our Group believes that this measure is beneficial to our Group's operations and is more conducive to the industry development.

Consequently, our Group's current quarter and year-to-date revenue reported decrease of 36.3% and 38.3% respectively.

Sales of sports shoes remained the primary revenue source of our Group during the current period under review, accounted for approximately 57.7% (Q2, 2012: 52.8%) and 58.0% (6 months, 2012: 52.0%) of the Group's total revenue for the current quarter and 6 months ended 30 June 2013.

For the current quarter under review, revenue from sports shoes declined by 30.36% to RMB89.4 million. Correspondingly, year-to-date revenue from sports shoes also slowed down by 31.2% to RMB168.8 million. The moderation was primarily volume-driven. Sales volume of 'XiDeLang' brand sports shoes halved as a result of intensified competition within the industry and softer market demand, stood at approximately 0.6 million pairs for the current quarter review (Q2, 2012: 1.3 million pairs) and 1.2 million pairs for first 6 months ended 30 June 2013 (6 months, 2012: 2.4 million pairs) respectively.

This was, however, partially mitigated by increased OEM orders secured by the Group during the financial period under review. Sales from OEM orders soared to approximately RMB35.6 million (Q2, 2012: RMB25.1 million) and RMB69.5 million (6 months, 2012: RMB50.5 million) for the current quarter and 6 months ended 30 June 2013 respectively. This was mainly due to strengthening orders from China-based import/export trading companies in line with the gradual recovery of consumer demand in overseas market.



## **B1. Analysis of Performance (cont'd)**

Affected by the intensified competition and slowdown in market demand, sales of sports apparel and accessories for our Group had narrowed by approximately 43.0% and 46.0% respectively during the current quarter and year-to-date ended 30 June 2013. The moderation was primarily volume-driven, with volume sold decreased to approximately 1.4 million pieces (Q2, 2012: 2.6 million pieces) and 2.3 million pieces (6 months, 2012: 4.9 million pieces) respectively during current quarter under review and 6 months ended 30 June 2013. High product homogenisation and recent rapid expansion by international fast-fashion brands are among other factors that further weighed down the consumer demand on sports apparel and accessories.

The moderation of sales performance had resulted in lower gross profit recorded for the current quarter and year-to-date ended 30 June 2013. Gross profit for the current quarter and 6 months ended 30 June 2013 stood at approximately RMB44.3 million (Q2, 2012: RMB77.9 million) and RMB80.8 million (6 months, 2012: RMB149.4 million), declined by 43.1% and 45.9% respectively.

Gross profit margin for the current quarter under review narrowed to 28.6% (Q2, 2012: 32.0%), while gross profit margin for year-to-date ended 30 June 2013 narrowed to 27.8% (6 months, 2012: 31.7%). This was mainly due to lower contribution from sports apparel and accessories, which traditionally carried a higher margin as compared to sports shoes.

Escalating raw material costs and labour costs remain the risk factors surrounding the sportswear industry as a whole. The Group's management remains vigilant to the industry development to ensure that appropriate actions are taken promptly in response to any adverse fluctuations. The Group is leveraging on its healthy relationship with the raw material suppliers, and pleasant working environments and relationship with its workforce to curb sudden shock of raw material price surge and excessive staff turnover.

### Selling and distribution costs

Selling and distribution costs for the current quarter and year-to-date ended 30 June 2013 stood at approximately RMB5.0 million and RMB9.2 million respectively, representing cost-saving of 49.8% and 52.2% respectively as compared to corresponding period in the preceding year.

This was mainly due to lower outlet subsidies granted to authorised distributors and prudent spending on advertising and marketing expenses during the financial period under review, having considered the prevailing uncertainties and challenges encountered by China's sportswear industry. Our Group is actively coordinating with the authorised distributors to streamline the existing retail outlets, with future expansion restricted to areas with more promising prospects to ensure efficient allocation of resources.



## **B1. Analysis of Performance (cont'd)**

### Administrative and other expenses

Administrative and other expenses for the current quarter under review increased slightly by 2.9% to RMB8.0 million (Q2, 2012: RMB7.8 million), while administrative and other expenses for year-to-date ended 30 June 2013 decreased slightly by 5.1%.

The fluctuation in administrative and other expenses is not proportional to the decrease in sales, mainly due to administrative and other expenses are generally 'step-cost' in nature, with a lower degree of correlation to the sales level. The increase in administrative and other expenses for the current quarter, and the proportionally higher administrative and other expenses for year-to-date ended 30 June 2013 was mainly due to additional depreciation charge incurred following the commencement of the new production centre and headquarter.

### Profit level

During the current quarter under review, our Group recorded profit before tax and after tax of RMB32.8 million and RMB24.1 million respectively. This represented a decline of 45.0% and 45.8% respectively, as compared to the corresponding period in the preceding year.

During the first half of 2013, our Group recorded profit before tax and after tax of RMB61.2 million and RMB45.4 million respectively, contracted by approximately 47.5% and 47.7% respectively as compared to first half of 2012.

The moderation of profit level was mainly linked to the decline in sales performance during the financial period under review.

The Board remains cautiously optimistic that our Group will be able to maintain a healthy performance in the foreseeable future and withstand the prevailing challenging operating environment.



## B2. Variation of Results against Preceding Quarter

	<b>Current quarter ended 30 June 2013 RMB'000</b>	<b>Preceding quarter ended 31 March 2013 RMB'000</b>
Revenue	154,866	136,166
Profit before taxation ("PBT")	32,795	28,404

Revenue for the current quarter ended 30 June 2013 strengthened by 13.7% as compared to the preceding quarter ended 31 March 2013, stood at RMB154.9 million.

This has contributed positively to our Group's performance, with profit before taxation for the current quarter under review enhanced by RMB4.4 million or 15.5% to RMB32.8 million, from RMB28.4 million in the preceding quarter ended 31 March 2013.

The improved performance in the current quarter ended 30 June 2013 as compared to preceding quarter ended 31 March 2013 was mainly backed by higher sales achieved during the current quarter under review, as the market activities and distributors' and retailers' orders resume to a higher level after the Chinese New Year festive holiday in first quarter ended 31 March 2013.



### B3. Prospects

The global economy remains challenging, with recovery seems to be uncertain. China, being the principal operating environment of the Group, is not fully insulated from the potential impacts. To minimise the risk of a hard landing and to strengthen consumer confidence in China's economic outlook, it is widely expected that China Government will continue the country's economic reform and engage more measures to expand domestic demand.

It is generally believed that China Government's economic policies have managed to curb the inflation for the immediate future. China's GDP grew by 7.6% in the first half of 2013, while total retail sales of consumer goods rose by 12.7%. Average disposable income per capita of urban households increased to RMB13,649 representing a real growth of 6.5% (after deducting price factors).

Despite the relative positive macroeconomic development, the sportswear industry in China as a whole remains under consolidation to recover from challenges stemming from excessive inventory and over-expansion of retail channels in the past few years. Some of the industry players have embarked on aggressive discounting approach to clear the excessive stock on-hand.

In the near term, it is believed that the sportswear industry in China will continue the consolidation process albeit the issues of excessive inventory and over-expansion of retail outlets are normalising gradually. Industry competition is generally expected to remain intense, complicated with the uncertainties on operating costs as a result of escalation in labour cost and raw materials cost.

Apart from that, consumer demand is expected to remain lukewarm in the near future, in view of the uncertainties facing the global and China economy.

Bearing these challenges and uncertainties in mind, our Group remain cautious about the sector development in the second half of 2013. Nevertheless, our Group expects the sportswear industry in China to recover gradually and resume healthy growth on long run, backed by the China Government's favourable national policies that support sports promotion, urbanisation and rising wages. Established industry players who survive the current period of turbulence are likely to benefit from stronger demand in the long term.

Our Group will continue to build on the following core competencies, so that our Group will be in a better position to tap any future opportunities:

- Effective brand positioning and marketing strategies, to enhance the distinctive image of 'XiDeLang' brand as a trendy and fashion-leading sportswear brand.
- Close monitoring and coordination of the distribution and retail network, to ensure resources are allocated efficiently on areas with more promising prospects.
- Product differentiation through continual research and development, to ensure new models with innovative and aesthetic design are launched periodically to cater the fast-changing consumer taste.
- Efficient production cost control and quality control, to enhance consumer confidence and satisfaction.





#### B4. Profit Forecast

Not applicable as no profit forecast was previously published.

#### B5. Income Tax Expense

	<b>Quarter ended 30.6.2013 RMB'000</b>	<b>Quarter ended 30.6.2012 RMB'000</b>	<b>Year to date ended 30.6.2013 RMB'000</b>	<b>Year to date ended 30.6.2012 RMB'000</b>
Income tax expense	8,684	15,137	15,767	29,642
Effective tax rate	26.5%	25.4%	25.8%	25.4%

The effective tax rate stood at 26.5% and 25.8%, for the current quarter and year to date ended 30 June 2013 respectively, marginally exceeded the statutory tax rate of 25% applicable within the PRC.

The Group's principal operations are concentrated within the PRC. As such, the effective tax rate reported by the Group is positively correlated to the statutory tax rate applicable in the PRC. The marginal deviation between the effective tax rate and the statutory tax rate applicable in the PRC during the current financial year period under review was mainly due to non-availability of Group's relief, where tax losses incurred by some of the entities within the Group were not allowed to be offset against the taxable profits reported by other entities within the Group; as well as certain non-allowable expenses added back for the tax computation.

In tandem with the moderation of the Group's performance during the financial period under review, income tax expense declined by approximately 42.6% and 46.8% respectively for the current quarter and year-to-date ended 30 June 2013, stood at RMB8.7 million (Q2, 2012: RMB15.1 million) and RMB15.8 million (6 months, 2012: RMB29.6 million) respectively.



## B6. Status of Corporate Proposals and Utilisation of Proceeds

Status of utilisation up to the latest practicable date is as follows:

	Purpose	Intended Timeframe	Proposed	Actual	Deviation		
			Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i)	Purchase machinery and equipment for new design and production centre	Within 18 months	29,100	9,485	19,615	67	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	10,085	19,615		

N1 The remaining unutilised portions are expected to be applied in subsequent periods within the stipulated timeframe.

## B7. Borrowings

As at 30 June 2013, the Group's outstanding borrowings liabilities are as follows:-

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
<b>Current</b>			
Short term bank loans	10,000	-	10,000
	10,000	-	10,000

All borrowings are arranged in the PRC and denominated in RMB.

## 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. Earnings per Share

### (1) Basic Earnings per Share ("BEPS")

The basic earnings per share ("BEPS") is calculated as follows:-

	Current quarter ended		Year to date ended	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	24,111	44,501	45,432	86,889
Weighted average number of ordinary shares in issue ('000)	725,998	725,998	725,998	706,812
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	3.32	6.13	6.26	12.29

### (2) Diluted Earnings per Share ("DEPS")

The Group had, on 30 April 2012, completed the rights issue of 241,998,950 warrants which entitles the holders the rights for conversion into one (1) ordinary share for every one (1) warrant at an exercise price of RM0.35 each. This gives rise to potential ordinary shares which, upon conversion, could result in dilution to earnings per share in future financial periods.

In accordance with MFRS 133, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants (i.e. they are 'in the money').

The average market price of the Company's ordinary shares during the current quarter under review was lower than the warrant exercise price. As such, the issued warrants are not regarded as dilutive and accordingly, no diluted earnings per share is being presented for the current quarter under review.

Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.



## B10. Disclosure on realised and unrealised profit/loss

The retained earnings of the Group as at 30 June 2013 are analysed as follows:

	<b>As at 30.6.2013 RMB'000</b>
The retained earnings of the Company and its subsidiaries:	
- Realised	636,849
- Unrealised	12,892
	<hr/>
	649,741
Add: Consolidation adjustments	(44,312)
	<hr/>
Total Group retained earnings as per consolidated financial statements	<u>605,429</u>

## B11. 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.

**B12. 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:

	<b>Quarter ended 30.6.2013 RMB'000</b>	<b>Year to date ended 30.6.2013 RMB'000</b>
Interest income	(261)	(560)
Interest expense	156	271
Depreciation and amortisation expenses	3,285	3,758
Foreign exchange gain	(1,220)	(1,435)
Exceptional items	N/A	N/A
Property, plant and equipment ('PPE') written off	N/A	N/A
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
(Gain)/Loss on disposal of PPE	N/A	N/A
(Gain)/Loss on disposal of quoted or unquoted investments or properties	N/A	N/A
(Gain)/Loss on derivatives	N/A	N/A
Impairment of assets	N/A	N/A

"N/A" denotes not applicable.



## **APPENDICES – FINANCIAL STATEMENTS TRANSLATED INTO RINGGIT MALAYSIA (FOR ILLUSTRATIVE PURPOSE ONLY)**

The Board of Directors wish to highlight that the presentation currency adopted by the Group in preparing the interim financial statements is Renminbi (“RMB”) as allowed under the new MFRS Framework.

The following supplementary financial statements in Ringgit Malaysia (“RM”) (which include condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows) are shown for reference only and have been translated at single exchange rate of RMB1 to RM0.5101 at 30 June 2013. The translation should not be construed as a representation that the RMB amounts actually have been or could be converted into RM at this or any other rate.

In addition, due to the changes of presentation currency on adoption of MFRS Framework, the comparative financial information contained in the following supplementary financial statements translated into RM would not be consistent with previously announced interim and annual financial statements as those statements were prepared using RM as the presentation currency (which was a requirement under the previous FRS Framework).

List of supplementary financial statements in Ringgit Malaysia (“RM”):

**Appendix A – Condensed Consolidated Statement of Comprehensive Income**

**Appendix B – Condensed Consolidated Statement of Financial Position**

**Appendix C – Condensed Consolidated Statement of Changes in Equity**

**Appendix D – Condensed Consolidated Statement of Cash Flows**



**APPENDIX A –  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2013 <sup>(1)</sup> RM'000	Quarter ended 30.6.2012 RM'000	Year to date ended 30.6.2013 <sup>(1)</sup> RM'000	Year to date ended 30.6.2012 RM'000
Revenue	78,997	124,092	148,455	240,697
Cost of Sales	<u>(56,404)</u>	<u>(84,362)</u>	<u>(107,248)</u>	<u>(164,502)</u>
Gross Profit ("GP")	22,593	39,730	41,207	76,195
Other Income	865	185	1,018	338
Selling and Distribution Costs	(2,541)	(5,061)	(4,701)	(9,833)
Administrative and Other Expenses	(4,109)	(3,994)	(6,169)	(6,500)
Finance Costs	<u>(80)</u>	<u>(437)</u>	<u>(138)</u>	<u>(757)</u>
<b>Profit before Tax ("PBT")</b>	16,728	30,423	31,217	59,443
Tax Expense	<u>(4,430)</u>	<u>(7,721)</u>	<u>(8,043)</u>	<u>(15,120)</u>
<b>Profit For The Period ("PAT")</b>	<u>12,298</u>	<u>22,702</u>	<u>23,174</u>	<u>44,323</u>
<b>Other Comprehensive Income:</b>				
Foreign currency translations	<u>(612)</u>	<u>(95)</u>	<u>(712)</u>	<u>(199)</u>
Other Comprehensive Income, net of tax	<u>(612)</u>	<u>(95)</u>	<u>(712)</u>	<u>(199)</u>
<b>Total Comprehensive Income</b>	<u>11,686</u>	<u>22,607</u>	<u>22,462</u>	<u>44,124</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>12,298</u>	<u>22,702</u>	<u>23,174</u>	<u>44,323</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>11,686</u>	<u>22,607</u>	<u>22,462</u>	<u>44,124</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	1.69	3.13	3.19	6.27
- Diluted (sen)	*	*	*	*

\* Refer Note B9 for further details.

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 2012 and the accompanying explanatory notes attached to this interim financial report.



**APPENDIX B –  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

	As at 30.6.2013 <sup>(1)</sup> RM'000	As at 31.12.2012 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	277,189	252,278
Land use rights	27,226	27,536
	304,415	279,814
<b>Current Assets</b>		
Inventories	13,245	11,477
Trade and other receivables (Note #)	91,850	86,867
Tax recoverable	415	-
Cash and cash equivalents	148,507	155,636
	254,017	253,980
<b>TOTAL ASSETS</b>	<b>558,432</b>	<b>533,794</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	249,072	249,072
Reserves	229,172	211,484
<b>TOTAL EQUITY</b>	478,244	460,556
<b>Non-current Liabilities</b>		
Deferred tax liabilities	15,191	13,999
<b>Current Liabilities</b>		
Trade and other payables (Note @)	54,235	51,283
Bank borrowings	5,101	-
Current tax liabilities	5,661	7,956
	64,997	59,239
<b>TOTAL LIABILITIES</b>	80,188	73,238
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>558,432</b>	<b>533,794</b>
<b>Net assets per share (RM)</b>	0.66	0.63

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 2012 and the accompanying explanatory notes attached to this interim financial report.





**APPENDIX C –  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

Quarter and year to date ended 30 June 2012	<----- Non-distributable ----->						Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Statutory Surplus Reserve RM'000	Merger Deficit RM'000	Exchange Translation Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	
At 1 January 2012	152,801	29,923	-	12,669	(104,523)	(45)	(1)	258,390	349,214
Issuance of ordinary shares pursuant to private placement, net of related expenses	14,132	4,334	-	-	-	-	-	-	18,466
Bonus issue	82,139	(34,257)	-	-	-	-	-	(47,882)	-
Rights issue of warrants	-	-	12,830	-	-	-	-	-	12,830
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	-	(2,269)	(2,269)
Total comprehensive income for the period	-	-	-	-	-	(199)	-	44,323	44,124
At 30 June 2012	249,072	-	12,830	12,669	(104,523)	(244)	(1)	252,562	422,365



**APPENDIX C –  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)  
(UNAUDITED)**

Quarter and year to date ended 30 June 2013 <sup>(1)</sup>	←----- Non-distributable ----->					Distributable		Total Equity RM'000
	Share Capital RM'000	Warrant Reserve RM'000	Statutory Surplus Reserve RM'000	Merger Deficit RM'000	Exchange Translation Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	
At 1 January 2013	249,072	12,830	12,708	(104,523)	(190)	(1)	290,660	460,556
Transfer to statutory surplus reserve	-	-	232	-	-	-	(232)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(1,192)	(1,192)
Dividend declared	-	-	-	-	-	-	(3,582)	(3,582)
Total comprehensive income for the period	-	-	-	-	(712)	-	23,174	22,462
At 30 June 2013	<u>249,072</u>	<u>12,830</u>	<u>12,940</u>	<u>(104,523)</u>	<u>(902)</u>	<u>(1)</u>	<u>308,828</u>	<u>478,244</u>

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 2012 and the accompanying explanatory notes attached to this interim financial report.*



**APPENDIX D –  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

	Year to date ended	
	30.6.2013 <sup>(1)</sup> RM'000	30.6.2012 RM'000
Profit before tax	31,217	59,443
Adjustments for non-cash flow:-		
Non-cash items	1,185	488
Non-operating items	(147)	419
Operating profit before working capital changes	32,255	60,350
Changes in working capital		
Net change in current assets	(6,749)	(3,934)
Net change in current liabilities	(1,516)	2,507
Cash generated from operating activities	23,990	58,923
Income tax paid	(9,183)	(19,559)
Net cash generated from operating activities	14,807	39,364
Investing activities		
Interest received	286	338
Purchase of property, plant and equipment	(26,518)	(25,505)
Net cash used in investing activities	(26,232)	(25,167)
Financing activities		
Proceeds from issuance of shares pursuant to private placement	-	18,735
Private placement expenses	-	(269)
Proceeds from right issues of warrants	-	12,830
Drawdown of borrowings	5,101	5,356
Repayment of borrowings	-	(4,132)
Interest paid	(138)	(757)
Reduction in/(Placement) of deposits pledged to bank	(1,093)	(3)
Net cash generated from financing activities	3,870	31,760
Net change in cash and cash equivalents	(7,555)	45,957
Cash and cash equivalents at beginning of financial period	155,629	117,934
Effect of changes in exchange rate	(666)	(199)
Cash and cash equivalents at end of financial period	147,408	163,692
Cash and cash equivalents at end of financial period		
Cash and bank balances	147,408	163,692
Deposits placed with financial institutions	1,099	1,077
	148,507	164,769
Less: Deposits pledged to financial institutions	(1,099)	(1,077)
	147,408	163,692

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 2012 and the accompanying explanatory notes attached to this interim financial report.