



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2013

<u>CONTENTS</u>	<u>PAGE</u>
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3 – 4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5
EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)	6 – 11
ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES	12 – 19
APPENDICES	
- FINANCIAL STATEMENTS TRANSLATED INTO RINGGIT MALAYSIA (FOR ILLUSTRATIVE PURPOSE ONLY)	20 - 25



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2013 ⁽¹⁾ RMB'000	Quarter ended 31.12.2012 RMB'000	Year to date ended 31.12.2013 ⁽¹⁾ RMB'000	Year to date ended 31.12.2012 RMB'000
Revenue	178,199	208,891	646,200	947,398
Cost of Sales	(130,550)	(150,230)	(474,499)	(657,551)
Gross Profit ("GP")	47,649	58,661	171,701	289,847
Other Income	15,412	1,259	19,468	2,225
Selling and Distribution Costs	(3,416)	(7,904)	(15,815)	(37,440)
Administrative and Other Expenses	(16,556)	(10,145)	(36,951)	(29,710)
Finance Costs	(140)	(176)	(563)	(2,297)
Profit before Tax ("PBT")	42,949	41,695	137,840	222,625
Tax Expense	(9,540)	(10,918)	(34,265)	(56,837)
Profit For The Period ("PAT")	<u>33,409</u>	<u>30,777</u>	<u>103,575</u>	<u>165,788</u>
Other Comprehensive Income:				
Foreign currency translations	(14,966)	171	(17,253)	(285)
Other Comprehensive Income, net of tax	(14,966)	171	(17,253)	(285)
Total Comprehensive Income	<u>18,443</u>	<u>30,948</u>	<u>86,322</u>	<u>165,503</u>
Profit attributable to:				
Equity holders of the parent	<u>33,409</u>	<u>30,777</u>	<u>103,575</u>	<u>165,788</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>18,443</u>	<u>30,948</u>	<u>86,322</u>	<u>165,503</u>
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	3.68	3.39	11.41	18.51
- 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 31.12.2013 ⁽¹⁾ RMB'000	As at 31.12.2012 RMB'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	588,206	494,565
Land use rights	52,764	53,982
	640,970	548,547
Current Assets		
Inventories	10,282	22,500
Trade and other receivables (Note #)	207,164	170,295
Tax recoverable	-	-
Cash and cash equivalents	289,873	305,108
	507,319	497,903
TOTAL ASSETS	1,148,289	1,046,450
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	488,281	488,281
Reserves	493,946	414,594
TOTAL EQUITY	982,227	902,875
Non-current Liabilities		
Deferred tax liabilities	20,970	27,443
Current Liabilities		
Trade and other payables (Note @)	121,528	100,536
Bank borrowings	10,000	-
Current tax liabilities	13,564	15,596
	145,092	116,132
TOTAL LIABILITIES	166,062	143,575
TOTAL EQUITY AND LIABILITIES	1,148,289	1,046,450
Net assets per share (RMB) ⁽²⁾	1.08	0.99

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.
- (2) This is calculated by dividing the net assets of the Group against the number of outstanding shares outstanding as at the end of the relevant reporting period after adjusting for the effect of bonus issue.
- (#) 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 31 December 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	8,386	-	-	-	-	-	-	36,090
Bonus issue	161,025	(67,047)	-	-	-	-	-	(93,978)	-
Rights issue of warrants	-	-	25,151	-	-	-	-	-	25,151
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	-	(8,470)	(8,470)
Transfer to statutory surplus reserve	-	-	-	76	-	-	-	(76)	-
Total comprehensive income for the period	-	-	-	-	-	(285)	-	165,788	165,503
At 31 December 2012	488,281	-	25,151	24,912	(204,906)	(373)	(1)	569,811	902,875



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

Quarter and year to date ended 31 December 2013 ⁽¹⁾	←----- 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	-	-	4,551	-	-	-	(4,551)	-
Dividend declared	-	-	-	-	-	-	(6,970)	(6,970)
Total comprehensive income for the period	-	-	-	-	(17,253)	-	103,575	86,322
At 31 December 2013	488,281	25,151	29,463	(204,906)	(17,626)	(1)	661,865	982,227

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	
	31.12.2013 ⁽¹⁾	31.12.2012
	RMB'000	RMB'000
Profit before tax	137,840	222,625
Adjustments for non-cash flow:-		
Non-cash items	(5,039)	2,177
Non-operating items	(600)	1,035
Operating profit before working capital changes	<u>132,201</u>	<u>225,837</u>
Changes in working capital		
Net change in current assets	(24,869)	26,966
Net change in current liabilities	21,341	(26,144)
Cash generated from operating activities	<u>128,673</u>	<u>226,659</u>
Income tax paid	(42,837)	(69,641)
Net cash generated from operating activities	<u>85,836</u>	<u>157,018</u>
Investing activities		
Interest received	1,162	1,262
Withdrawal/ (Placement) of deposit pledged to bank	12	2,093
Proceeds from disposal of property, plant and equipment	207	-
Purchase of property, plant and equipment	(105,016)	(105,000)
Net cash used in investing activities	<u>(103,635)</u>	<u>(101,645)</u>
Financing activities		
Issue of new shares, net of shares issue expenses	-	36,090
Issue of warrants	-	25,151
Dividend paid	(6,970)	-
Drawdown of borrowings	20,000	10,500
Repayment of borrowings	(10,000)	(50,400)
Interest paid	(562)	(2,297)
Net cash generated from financing activities	<u>2,468</u>	<u>19,044</u>
Net change in cash and cash equivalents	(15,331)	74,417
Cash and cash equivalents at beginning of financial period	305,096	231,198
Effect of changes in exchange rate	108	(519)
Cash and cash equivalents at end of financial period	<u>289,873</u>	<u>305,096</u>
Cash and cash equivalents at end of financial period		
Cash and bank balances	289,873	305,096
Deposits placed with financial institutions	-	12
	<u>289,873</u>	<u>305,108</u>
Less: Deposits pledged to financial institutions	-	(12)
	<u>289,873</u>	<u>305,096</u>

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)
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
IC Interpretation 21 Levies

Effective for annual periods commencing on or after 1 July 2014

Amendment to MFRS 2 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendment to MFRS 3 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendment to MFRS 3 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
Amendment to MFRS 8 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendment to MFRS 13 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
Amendment to MFRS 116 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
Amendment to MFRS 124 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendment to MFRS 138 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendment to MFRS 140 (Annual Improvements to MFRSs 2011 – 2013 Cycle)

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)
Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 [IFRS 9 issued by IASB in November 2009], MFRS 9 [IFRS 9 issued by IASB in October 2010])
Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)

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 on Preceding Annual Financial Statements

The auditors' report on the Group's most recent audited annual financial statements for the financial 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

The Company had, on 30 September 2013, proposed to undertake the following:

- (a) Proposed renounceable rights issue of up to 322,665,266 new ordinary shares of USD0.10 each in XDL ("XDL Shares" or "Shares") ("Rights Shares") at an issue price of RM0.35 per Rights Share, together with up to 241,998,950 free detachable warrants in XDL ("Warrants 2014") and an attached bonus issue of up to 241,998,950 new XDL Shares ("Bonus Shares") to be credited as fully paid-up at par, on the basis of four (4) Rights Shares together with three (3) free Warrants 2013 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held on the entitlement date to be determined by the Board later ("Entitlement Date") ("Proposed Rights Issue"); and
- (b) Proposed amendments to the Bye-laws of the Company to facilitate the Proposed Rights Issue ("Proposed Amendments").

(Collectively referred to as "Proposals")

The Proposals have been approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 7 November 2013, and subsequently approved by the members at the Special General Meeting held on 9 December 2013. On the same day, the Board announced the Entitlement Date to be 23 December 2013.



The Rights Issue has been completed on 27 January 2014, following the listing and quotation of 241,998,950 Rights Shares; 181,499,212 Bonus Shares, 181,499,212 Warrants 2014 and 19,779,602 Additional Warrants 2012 on the Main Market of Bursa Malaysia. Gross proceeds raised from the Rights Issue amounted to RM84.7 million.

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"). During the financial year under review, the Group's operations were 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.

Due to the similarities in the business operations between the two operating subsidiaries in the PRC, the Group's Chief Executive Officer manages the operations within the Group as a whole in single segment and relies on internal reports which are similar to those currently disclosed externally to make decisions about allocation of resources and for performance assessment. Accordingly, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8:

Sales revenue by products

	Quarter ended 31.12.2013 RMB'000	Quarter ended 31.12.2012 RMB'000	Year to date ended 31.12.2013 RMB'000	Year to date ended 31.12.2012 RMB'000
Sports shoes	100,348	124,240	371,228	520,470
Sports apparels, accessories and equipment	77,851	84,651	274,972	426,928
	<u>178,199</u>	<u>208,891</u>	<u>646,200</u>	<u>947,398</u>



Sales revenue by region

During the financial period/year 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.

	Quarter ended 31.12.2013 RMB'000	Quarter ended 31.12.2012 RMB'000	Year to date ended 31.12.2013 RMB'000	Year to date ended 31.12.2012 RMB'000
Within the PRC:				
- Eastern region	9,811	19,567	37,947	97,822
- Southern region	78,682	80,139	278,886	358,198
- Western region	48,697	58,480	178,757	261,750
- Northern region	41,009	50,705	150,610	229,628
	178,199	208,891	646,200	947,398

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 31 December 2013 is as follows:

	As at 31.12.2013 RMB'000
Property, plant and equipment	
Contracted but not provided for	-
Approved but not contracted for	<u>50,061</u>

A13. Significant Related Party Transactions

	Quarter ended 31.12.2013 RMB'000	Quarter ended 31.12.2012 RMB'000	Year to date ended 31.12.2013 RMB'000	Year to date ended 31.12.2012 RMB'000
Rental paid to related parties	<u>403</u>	<u>649</u>	<u>1,775</u>	<u>2,601</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

Our Group's current quarter and year-to-date revenue stood at RMB178.2 million and RMB646.2 million respectively, representing decrease of 14.7% and 31.8% from the corresponding quarter in the preceding financial year and the financial year 2012 respectively.

The moderation of our Group's revenue for the current quarter and year-to-date under review was primarily due to the lukewarm market demands and increased industry competition. The sportswear industry in China is going through a period of consolidation. The industry has in the past few years been 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 also weighed down market demands. The operating environment is further complicated by the uncertainties in operating costs with rising labour and raw materials costs.

Our Group has remained vigilant on the industry and has taken prompt and proactive measure to maintain the sales performance at healthy level. After due considerations on the consumer demand and spending sentiments as well as the increasing operational costs, our Group has reached consensus with the authorised distributors to implement prudent controls pending recovery of the market demand. Our Group believes that this measure is beneficial to our Group's operations as well as enhancing our resilience moving forward.

Sales of sports shoes remained the primary revenue source of our Group, accounting for approximately 56.3% (Q4, 2012: 59.5%) and 57.4% (12 months, 2012: 54.9%) respectively of the Group's total revenue for the current quarter and 12 months ended 31 December 2013.

Revenue from sports shoes moderated by 19.2% and 28.7% respectively for the current quarter and year-to-date ended 31 December 2013, as compared to the corresponding periods in the preceding financial year. Sales volume of 'XiDeLang' brand sports shoes halved during the financial period under review, stood at approximately 0.6 million pairs for the current quarter under review (Q4, 2012: 1.0 million pairs) and 2.7 million pairs for 12 months ended 31 December 2013 (12 months, 2012: 4.8 million pairs) respectively.

This slowdown in the sale volume of our 'XiDeLang' was however, complemented by the increase in the OEM sale volume during the financial period under review. Sales from OEM orders stood at approximately RMB38.2 million (Q4, 2012: RMB40.0 million) and RMB149.4 million (12 months, 2012: RMB128.4 million) respectively for the current quarter and 12 months ended 31 December 2013, as a result of increased orders from China-based import/export trading companies in conjunction with the gradual recovery of consumer demand in overseas market.



B1. Analysis of Performance (cont'd)

Similarly, sales of sports apparel and accessories under 'XiDeLang' brand encountered a slowdown during the financial period under review. Revenue from sports apparel and accessories reported a decrease of approximately 8.0% and 35.6% respectively for current quarter and year-to-date ended 31 December 2013 when compared to the corresponding quarter in the preceding year and the financial year ended 31 December 2012 respectively. The decrease was primarily volume driven, where the volume sold lowered to 0.7 million pieces (Q4, 2012: 1 million pieces) and 4.0 million pieces (12 months, 2012: 7.2 million pieces) respectively during current quarter under review and 12 months ended 31 December 2013. High product homogenisation and recent rapid expansion by international fast-fashion brands are some of the factors that further weighed down consumer demand for sports apparel and accessories.

Our Group's gross profit for the financial period under review, stood at RMB47.6 million and RMB171.1 million respectively for the current quarter and year-to-date ended 31 December 2013. This represented a decrease of 18.8% and 40.8% respectively as compared to Quarter 4, 2012 and 12 months ended 31 December 2012. This was mainly due to the moderation of sales as explained above.

Gross profit margin for the current quarter and year-to-date ended 31 December 2013 stood at 26.7% and 26.6% respectively, which was slightly lower as compared to corresponding periods in the preceding financial year. This was primarily due to increased production cost.

Our Group's management monitors closely the industry development to ensure that appropriate actions are taken promptly in response to any adverse fluctuations. In addition, our Group is also leveraging on the healthy relationship with the raw material suppliers, and pleasant working environments and relationship with the workforce to curb sudden 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 31 December 2013 stood at approximately RMB3.4 million and RMB15.8 million respectively, representing cost-saving of 56.8% and 57.8% respectively as compared to corresponding periods 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, to mitigate the prevailing uncertainties and challenges encountered by China's sportswear industry.



B1. Analysis of Performance (cont'd)

Administrative and other expenses

Administrative and other expenses for the current quarter and year-to-date ended 31 December 2013 stood at approximately RMB16.6 million and RMB37.0 million respectively, representing increase of 63.2% and 24.4% as compared to corresponding periods in the preceding financial year.

The fluctuations in administrative and other expenses are not proportional to the decrease in sales. The higher administrative and other expenses for the current quarter and year-to-date ended 31 December 2013 was mainly due to additional depreciation expenses incurred following the commencement of the new production centre and headquarter, as well as property tax imposed on the new production centre and headquarter.

Profit level

Our Group has managed to maintain profitability at healthy level. During the current quarter under review, our Group recorded profit before tax and after tax of RMB42.9 million and RMB33.4 million respectively. For 12 months ended 31 December 2013, our Group reported profit before tax and after of RMB137.8 million and RMB103.6 million respectively.

Overall, the moderation of profit level for the current financial year under review (12 months ended 31 December 2013) was mainly linked to the decline in sales performance during the financial period under review.

B2. Variation of Results against Preceding Quarter

	Current quarter ended 31 December 2013 RMB'000	Preceding quarter ended 30 September 2013 RMB'000
Revenue	178,199	176,969
Profit before taxation ("PBT")	42,949	33,692

Revenue has remained relatively consistent between the current quarter ended 31 December 2013 and preceding quarter ended 30 September 2013, with slight improvement of 0.7%.

Profit before tax for current quarter under review stood at RMB42.9 million, representing an increase of approximately 27.5%. This was primarily due to higher amount of unrealised foreign exchange gain recorded in line with the strengthening of RMB during the financial period under review.



B3. Prospects

The global economy is generally expected to stabilise and grow moderately in 2014, although there remain downside risks to growth such as policy uncertainties in the United States and China's rebalancing of its economy.

The sportswear industry in China is generally expected to recover gradually, having gone through two years of consolidation and correction process to rectify the issues of excessive inventory as a result of over-expansion in past years.

Consumer demand is expected to remain stable during the first half of 2014. Our Group is cautiously optimistic that the sportswear industry will gradually resume a healthy growth backed by virtue of the rising per capita disposable income in China and growing awareness for healthy lifestyle.

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:

- Strengthening brand management to enhance the distinctive image of 'XiDeLang' brand as a trendy and fashion-leading sportswear brand through delivery of quality products and integrated advertising and promotional activities.
- Monitoring distribution and retail network, where our Group will coordinate with authorised distributors to consolidate less efficient retail points and to reallocate resources to expand to areas with promising growth prospects.
- Diversifying product portfolio through continual research and development, to ensure new models with innovative and aesthetic design are launched periodically to cater for the fast-changing consumers' taste and preference.
- Enhancing the production capacity and production efficiency. Our Group's relocation to the new design and production centre with more production lines will enable the Group to significantly reduce the volume of shoes outsourced, thereby allowing the Group better control in terms of quality. This will also allow our Group to capitalise on the expected increase in demand for future 'XiDeLang' products.
- The increased production capacity will also provide the platform for our Group to step-up the efforts to secure larger OEM contracts with various established global brands. This will enable our Group to capitalise on the growth opportunities available in the OEM business which will provide an additional stable income stream for our Group.

B4. Profit Forecast

Not applicable as no profit forecast was previously published.



B5. Income Tax Expense

	Quarter ended 31.12.2013 RMB'000	Quarter ended 31.12.2012 RMB'000	Year to date ended 31.12.2013 RMB'000	Year to date ended 31.12.2012 RMB'000
Income tax expense	9,540	10,918	34,265	56,837
Effective tax rate	22.2%	26.2%	24.9%	25.5%

In tandem with the moderation of the Group's performance during the financial period under review, income tax expense declined by approximately 12.6% and 39.7% respectively for the current quarter and year-to-date ended 31 December 2013, stood at RMB9.5 million (Q4, 2012: RMB10.9 million) and RMB34.3 million (12 months, 2012: RMB56.8 million) respectively.

The effective tax rate stood at 22.2% and 24.9%, for the current quarter and year to date ended 31 December 2013 respectively, lower as compared to the statutory tax rate of 25% applicable within the PRC. This was primarily due to reversal of deferred tax liabilities upon distribution of dividend by the China subsidiary, HongPeng (Fujian) Shoes & Garments Co., Ltd. to its immediate holding company.

B6. Status of Corporate Proposals and Utilisation of Proceeds

Private placement and rights issue of warrants in 2012

Purpose	Intended Timeframe	Proposed	Actual	Deviation		N1
		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	11,456	17,644	60.6	
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		<u>29,700</u>	<u>12,056</u>	<u>17,644</u>		

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

Rights Issue in 2014

As explained under Note A6, our Group has completed the Rights Issue on 27 January 2014, following the listing and quotation of 241,998,950 Rights Shares; 181,499,212 Bonus Shares, 181,499,212 Warrants 2014 and 19,779,602 Additional Warrants 2012 on the Main Market of Bursa Malaysia. Gross proceeds raised from the Rights Issue amounted to RM84.7 million.



B7. Borrowings

As at 31 December 2013, the Group's outstanding borrowings liabilities are as follows:-

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

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	
	31.12.2013 RMB'000	31.12.2012 RMB'000	31.12.2013 RMB'000	31.12.2012 RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	<u>33,409</u>	<u>30,777</u>	<u>103,575</u>	<u>165,788</u>
Weighted average number of ordinary shares in issue ('000)	<u>907,498</u>	<u>907,498</u>	<u>907,498</u>	<u>895,571</u>
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	<u>3.68</u>	<u>3.39</u>	<u>11.41</u>	<u>18.51</u>

The basic earnings per ordinary share for both the financial years ended 31 December 2013 and 2012 have taken into effect of the bonus issue subsequent to the financial year ended 31 December 2013 (i.e. on 27 January 2014). The effect of bonus issue was reflected in accordance with MFRS 133, where the earnings per share calculations for all periods shall be adjusted retrospectively.



(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 3-months (October 2013 – December 2013) average closing market price of the Company’s ordinary shares was lower than the warrant exercise price of RM0.35. 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 31 December 2013 are analysed as follows:

	As at 31.12.2013 RMB’000
The retained earnings of the Company and its subsidiaries:	
- Realised	650,901
- Unrealised	11,741
	<hr/> 662,642
Add: Consolidation adjustments	(777)
	<hr/> 661,865
Total Group retained earnings as per consolidated financial statements	<hr/> <hr/> 661,865

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 income / (expense) items:

	Quarter Ended 31.12.2013 RMB'000	Year to date ended 31.12.2013 RMB'000
Interest income	307	1,162
Interest expense	(140)	(562)
Depreciation and amortisation expenses	(2,780)	(11,975)
Foreign exchange gain	15,009	17,640
Loss on disposal of property, plant and equipment	-	(409)
Provision for and write off of inventories	(60)	(217)
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
(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 RM0.5422 at 31 December 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 31.12.2013 RM'000	Quarter ended 31.12.2012 RM'000	Year to date ended 31.12.2013 RM'000	Year to date ended 31.12.2012 RM'000
Revenue	96,619	113,261	350,370	513,679
Cost of Sales	<u>(70,784)</u>	<u>(81,455)</u>	<u>(257,273)</u>	<u>(356,524)</u>
Gross Profit ("GP")	25,835	31,806	93,097	157,155
Other Income	8,356	683	10,556	1,206
Selling and Distribution Costs	(1,852)	(4,286)	(8,575)	(20,300)
Administrative and Other Expenses	(8,977)	(5,501)	(20,035)	(16,109)
Finance Costs	<u>(76)</u>	<u>(95)</u>	<u>(305)</u>	<u>(1,245)</u>
Profit before Tax ("PBT")	23,286	22,607	74,738	120,707
Tax Expense	<u>(5,173)</u>	<u>(5,920)</u>	<u>(18,578)</u>	<u>(30,817)</u>
Profit For The Period ("PAT")	<u>18,113</u>	<u>16,687</u>	<u>56,160</u>	<u>89,890</u>
Other Comprehensive Income:				
Foreign currency translations	<u>(8,115)</u>	<u>93</u>	<u>(9,355)</u>	<u>(155)</u>
Other Comprehensive Income, net of tax	<u>(8,115)</u>	<u>93</u>	<u>(9,355)</u>	<u>(155)</u>
Total Comprehensive Income	<u>9,998</u>	<u>16,780</u>	<u>46,805</u>	<u>89,735</u>
Profit attributable to:				
Equity holders of the parent	<u>18,113</u>	<u>16,687</u>	<u>56,160</u>	<u>89,890</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>9,998</u>	<u>16,780</u>	<u>46,805</u>	<u>89,735</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	1.99	1.84	6.19	10.04
- Diluted (sen)	*	*	*	*



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

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	318,925	268,153
Land use rights	28,609	29,269
	<u>347,534</u>	<u>297,422</u>
Current Assets		
Inventories	5,575	12,200
Trade and other receivables (Note #)	112,324	92,334
Tax recoverable	-	-
Cash and cash equivalents	157,169	165,430
	<u>275,068</u>	<u>269,964</u>
TOTAL ASSETS	<u>622,602</u>	<u>567,386</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	264,746	264,746
Reserves	267,818	224,793
TOTAL EQUITY	<u>532,564</u>	<u>489,539</u>
Non-current Liabilities		
Deferred tax liabilities	11,370	14,880
Current Liabilities		
Trade and other payables (Note @)	65,892	54,511
Bank borrowings	5,422	-
Current tax liabilities	7,354	8,456
	<u>78,668</u>	<u>62,967</u>
TOTAL LIABILITIES	<u>90,038</u>	<u>77,847</u>
TOTAL EQUITY AND LIABILITIES	<u>622,602</u>	<u>567,386</u>
Net assets per share (RM)	<u>0.59</u>	<u>0.54</u>



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

Quarter and year to date ended 31 December 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	162,417	31,806	-	13,466	(111,100)	(48)	(1)	274,650	371,190
Issuance of ordinary shares pursuant to private placement, net of related expenses	15,021	4,547	-	-	-	-	-	-	19,568
Bonus issue	87,308	(36,353)	-	-	-	-	-	(50,955)	-
Rights issue of warrants	-	-	13,637	-	-	-	-	-	13,637
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	-	(4,591)	(4,591)
Transfer to statutory surplus reserve	-	-	-	41	-	-	-	(41)	-
Total comprehensive income for the period	-	-	-	-	-	(155)	-	89,890	89,735
At 31 December 2012	264,746	-	13,637	13,507	(111,100)	(203)	(1)	308,953	489,539



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

Quarter and year to date ended 31 December 2013 ⁽¹⁾	←----- 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	264,746	13,637	13,507	(111,100)	(203)	(1)	308,953	489,539
Transfer to statutory surplus reserve	-	-	2,468	-	-	-	(2,468)	-
Dividend declared	-	-	-	-	-	-	(3,780)	(3,780)
Total comprehensive income for the period	-	-	-	-	(9,355)	-	56,160	46,805
At 31 December 2013	264,746	13,637	15,975	(111,100)	(9,558)	(1)	358,865	532,564



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

	Year to date ended	
	31.12.2013 ⁽¹⁾ RM'000	31.12.2012 RM'000
Profit before tax	74,738	120,707
Adjustments for non-cash flow:-		
Non-cash items	(2,732)	1,180
Non-operating items	(325)	561
Operating profit before working capital changes	71,681	122,448
Changes in working capital		
Net change in current assets	(13,484)	14,621
Net change in current liabilities	11,571	(14,175)
Cash generated from operating activities	69,768	122,894
Income tax paid	(23,226)	(37,759)
Net cash generated from operating activities	46,542	85,135
Investing activities		
Interest received	630	684
Withdrawal/ (Placement) of deposit pledged to bank	7	1,135
Proceeds from disposal of property, plant and equipment	112	-
Purchase of property, plant and equipment	(56,940)	(56,931)
Net cash used in investing activities	(56,191)	(55,112)
Financing activities		
Issue of new shares, net of shares issue expenses	-	19,568
Issue of warrants	-	13,637
Dividend paid	(3,780)	-
Drawdown of borrowings	10,844	5,693
Repayment of borrowings	(5,422)	(27,327)
Interest paid	(305)	(1,245)
Net cash generated from financing activities	1,337	10,326
Net change in cash and cash equivalents	(8,312)	40,349
Cash and cash equivalents at beginning of financial period	165,423	125,355
Effect of changes in exchange rate	58	(281)
Cash and cash equivalents at end of financial period	157,169	165,423
Cash and cash equivalents at end of financial period		
Cash and bank balances	157,169	165,423
Deposits placed with financial institutions	-	7
	157,169	165,430
Less: Deposits pledged to financial institutions	-	(7)
	157,169	165,423