



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2014

<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 31.3.2014 ⁽¹⁾ RMB'000	Quarter ended 31.3.2013 RMB'000	Year to date ended 31.3.2014 ⁽¹⁾ RMB'000	Year to date ended 31.3.2013 RMB'000
Revenue	121,751	136,166	121,751	136,166
Cost of Sales	(90,826)	(99,674)	(90,826)	(99,674)
Gross Profit ("GP")	30,925	36,492	30,925	36,492
Other Income	443	299	443	299
Selling and Distribution Costs	(3,227)	(4,233)	(3,227)	(4,233)
Administrative and Other Expenses	(7,555)	(4,039)	(7,555)	(4,039)
Finance Costs	(155)	(115)	(155)	(115)
Profit before Tax ("PBT")	20,431	28,404	20,431	28,404
Tax Expense	(6,502)	(7,083)	(6,502)	(7,083)
Profit For The Period ("PAT")	13,929	21,321	13,929	21,321
Other Comprehensive Income:				
Foreign currency translations	-	(197)	-	(197)
Other Comprehensive Income, net of tax	-	(197)	-	(197)
Total Comprehensive Income	13,929	21,124	13,929	21,124
Profit attributable to:				
Equity holders of the parent	13,929	21,321	13,929	21,321
Total Comprehensive Income attributable to:				
Equity holders of the parent	13,929	21,124	13,929	21,124
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	1.29	2.35	1.29	2.35
- 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 2013 and the accompanying explanatory notes attached to this interim financial report.



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

	As at 31.3.2014⁽¹⁾ RMB'000	As at 31.12.2013 RMB'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	589,199	588,206
Land use rights	52,460	52,764
	641,659	640,970
Current Assets		
Inventories	17,853	10,282
Trade and other receivables (Note @)	140,717	207,164
Cash and cash equivalents	472,724	289,873
	631,294	507,319
TOTAL ASSETS	1,272,953	1,148,289
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	699,209	488,281
Reserves	450,022	493,946
TOTAL EQUITY	1,149,231	982,227
Non-current Liabilities		
Deferred tax liabilities	21,740	20,970
Current Liabilities		
Trade and other payables (Note #)	87,443	127,520
Bank borrowings	10,000	10,000
Current tax liabilities	4,539	7,572
	101,982	145,092
TOTAL LIABILITIES	123,722	166,062
TOTAL EQUITY AND LIABILITIES	1,272,953	1,148,289
Net assets per share (RMB)	1.07	1.08

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 2013 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 31 March 2013	←----- 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
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(1,054)	(1,054)
Transfer to statutory surplus reserve	-	-	82	-	-	-	(82)	-
Total comprehensive income for the period	-	-	-	-	(197)	-	21,321	21,124
At 31 March 2013	488,281	25,151	24,994	(204,906)	(570)	(1)	589,996	922,945



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

Quarter and year to date ended 31 March 2014 ⁽¹⁾	←----- 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 2014	488,281	-	25,151	29,463	(204,906)	(17,626)	(1)	661,865	982,227
Effects on conversion of functional currency	(45,246)	-	(2,835)	-	-	51,049	-	(2,946)	22
Issue of new shares pursuant to the right issues exercise	146,385	6,668	-	-	-	-	-	-	153,053
Bonus issue	109,789	(6,668)	-	-	-	-	-	(103,121)	-
Free warrants pursuant to the right issues exercise	-	-	25,369	-	-	-	-	(25,369)	-
Transfer to statutory surplus reserve	-	-	-	1,711	-	-	-	(1,711)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	13,929	13,929
At 31 March 2014	<u>699,209</u>	<u>-</u>	<u>47,685</u>	<u>31,174</u>	<u>(204,906)</u>	<u>33,423</u>	<u>(1)</u>	<u>542,647</u>	<u>1,149,231</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 2013 and the accompanying explanatory notes attached to this interim financial report.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Year to date ended	
	31.3.2014 ⁽¹⁾ RMB'000	31.3.2013 RMB'000
Profit before tax	20,431	28,404
Adjustments for non-cash flow:-		
Non-cash items	3,650	258
Non-operating items	(288)	(184)
Operating profit before working capital changes	23,793	28,478
Changes in working capital		
Net change in current assets	58,876	24,526
Net change in current liabilities	(38,895)	(14,175)
Cash generated from operating activities	43,774	38,829
Income tax paid	(8,765)	(10,918)
Net cash generated from operating activities	35,009	27,911
Investing activities		
Interest received	443	299
Purchase of property, plant and equipment	(4,338)	(31,705)
Net cash used in investing activities	(3,895)	(31,406)
Financing activities		
Proceeds from issuance of shares, net of expenses	151,915	-
Drawdown of borrowings	-	10,000
Interest paid	(155)	(115)
Placement of deposits pledged to bank	-	(2,139)
Net cash generated from financing activities	151,760	7,746
Net change in cash and cash equivalents	182,874	4,251
Cash and cash equivalents at beginning of financial period	289,873	305,096
Effect of changes in exchange rate	(23)	(197)
Cash and cash equivalents at end of financial period	472,724	309,150
Cash and cash equivalents at end of financial period		
Cash and bank balances	472,724	309,150
Deposits placed with financial institutions	-	2,150
	472,724	311,300
Less: Deposits pledged to financial institutions	-	(2,150)
	472,724	309,150

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 2013 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

These unaudited interim financial statements have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of 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”). These interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein 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 2013.

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 year ended 31 December 2013, except for the conversion of Company’s functional currency from RM to RMB and the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period as disclosed below.

Conversion of functional currency

Our Company has changed its functional currency from RM to RMB from 1 January 2014 prospectively as the Board opined that RMB is the currency that most faithfully represents the economic effects of the Company’s underlying transactions, events and conditions.

Adoption of MFRSs, IC Interpretation and Amendments to MFRSs 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

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



A1. Basis of Preparation (continued)

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 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 date to be announced by MASB

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 annual audited financial statements for the year ended 31 December 2013 was not qualified.

A3. Seasonality or Cyclicity of Operation

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 consumers' tastes and preferences.

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



A3. Seasonality or Cyclicity of Operation (cont'd)

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 due to Their Nature, Size or Incidence

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 save for the change in the Company's functional currency as disclosed under Note A1 above.

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.

Save for the above, there were no other issuance of shares, share buy-backs and repayment of debt and equity securities by the Group during the financial period under review.



A7. Dividend paid

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.

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 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.

The Group evaluates performance on the basis of revenue from the respective operations. The analysis is as follows:

	Own branding manufacturer RM'000	Original equipment manufacturer RM'000	Total RM'000
Quarter ended 31 March 2014			
Revenue	86,488	35,263	121,751
Interest income	328	20	348
Finance Cost	(152)	(1)	(153)
Net finance income/(expense)	176	19	195
Quarter ended 31 March 2013			
Revenue	102,334	33,832	136,166
Interest income	295	5	300
Finance Cost	(114)	(1)	(115)
Net finance income/(expense)	181	4	185



A8. Segment Information (continued)

No further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8:

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 revenue by region by location of customers, irrespective of the origin of the goods/services and based on the following regional groupings:

- 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.

	Sales revenue by regions	
	Quarter and Year to date ended 31.3.2014 RMB'000	Quarter and Year to date ended 31.3.2013 RMB'000
Within the PRC:		
- Eastern region	5,150	9,282
- Southern region	60,251	56,639
- Western region	30,798	36,731
- Northern region	25,552	33,514
	121,751	136,166

Revenue by products

	Sales revenue by products	
	Quarter and Year to date ended 31.3.2014 RMB'000	Quarter and Year to date ended 31.3.2013 RMB'000
Sports shoes	76,368	79,349
Sports apparel, accessories and equipment	45,383	56,817
	121,751	136,166



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 March 2014 is as follows:

	As at 31.3.2014 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>45,804</u>

A13. Significant Related Party Transactions

	Quarter and Year to date ended 31.3.2014 RMB'000	Quarter and Year to date ended 31.3.2013 RMB'000
Rental paid to related parties	<u>402</u>	<u>568</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.

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]



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

B1. Analysis of Performance

During the financial period under review, our Group's performance remained healthy with revenue stood at RMB121.8 million (albeit narrowed by approximately 10.6% as compared to Quarter 1, 2013).

Sales of sports shoes have accounted for approximately 63% of the Group's total revenue during the current quarter under review (58% in Quarter 1, 2013), while sports apparel, accessories and equipment accounted for the remaining 37% of the Group's total revenue (42% in Quarter 1, 2013).

The moderation of the sales performance was primarily volume-driven. Sales volume of 'XiDeLang' brand sports shoes reduced from 0.6 million pairs in Quarter 1, 2013 to 0.5 million pairs during the current quarter under review; while sales volume of 'XiDeLang' brand sports apparel, accessories and equipment lowered from 0.9 million pieces in Quarter 1, 2013 to 0.6 million pieces during the current quarter under review. The decrease in sales volume of 'XiDeLang' brand sports apparel, accessories and equipment was partially complemented by the increase in average selling prices for the products sold during the financial period under review.

High product homogenisation, active penetration by international sportswear brands and rapid expansion of international fast-fashion brands are some of the factors that weighed down consumer demand for our own branding sports apparel and accessories.

The slowdown in sales of 'XiDeLang' brand products in the domestic market within China was partially complemented by the increased OEM orders secured by the Group. Sales from OEM orders surged to RMB35.3 million during the financial period under review, reporting an increase of approximately 4% as compared to RMB33.8 million recorded in Quarter 1, 2013. This was mainly due to increased orders from China-based import/export trading companies to cater for export markets, in line with the gradual recovery of consumer demands in overseas markets.

Gross profit for the current quarter under review remained healthy albeit narrowed by approximately 15% as compared to Quarter 1, 2013, stood at RMB30.9 million. Gross profit margin for the current quarter under review stood at 25.4%, slightly lower as compared to 26.8% in Quarter 1, 2013. This was primarily due to the change in revenue mix, where lower contribution was recorded from the sales of sports apparel, accessories and equipment which generally command higher margin as compared to sales of sports shoes.

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.



B1. Analysis of Performance (continued)

In tandem with the slowdown of sales, selling and distribution costs incurred in the current quarter recorded a saving of approximately 24%, stood at RMB3.2 million as compared to RMB4.2 million in Quarter 1, 2013. This was primarily due to lower advertising and marketing expenses incurred in the current quarter. The Group has coordinated with the authorised distributors to optimise the distribution network by focusing the resources on high-efficiency and growth potential retail stores and to temporary slowdown on store expansion.

Administrative and other expenses for the current quarter under review reported an increase of 87% as compared to Quarter 1, 2013 primarily due to the increase in staff costs and depreciation expenses following the commencement of the new production centre and headquarter, as well as non-recurring corporate exercise expenses pursuant to the Right Issues Exercise completed in the current quarter under review.

Impacted by the above factors, profit before tax and profit after tax for the current quarter under review narrowed to RMB20.4 million and RMB13.9 million respectively, with the profit margin stood at 16.8% and 11.4% respectively.

The Board is dedicated to stay vigilant on the industry's development and will endeavour to maintain the Group's performance at a healthy level amid the prevailing challenging operating environment.

B2. Variation of Results against Preceding Quarter

	Current quarter ended 31 March 2014 RMB'000	Preceding quarter ended 31 December 2013 RMB'000
Revenue	121,751	178,199
Profit before taxation ("PBT")	20,431	42,949

Revenue for the current financial period under review narrowed to RMB121.8 million, moderated by approximately decline of 31.7% as compared to RMB178.2 million in the preceding quarter ended 31 December 2013.

Correspondingly, profit before taxation harvested by the Group during the current quarter under review narrowed by 52.4% as compared to preceding quarter, stood at RMB20.4 million.

The moderation was primarily due to the slowdown of the overall market activities in conjunction with the long holidays for celebration of Chinese New Year as well as lower other income reported in the current financial period as compared to the preceding quarter where non-recurring foreign exchange gain was recorded.



B3. Outlook and 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 years of consolidation and correction process to rectify the issues of excessive inventory as a result of overzealous expansion fuelled by the Beijing Olympic Games fever.

Backed by the rising per capita disposable income in China and growing awareness for healthy lifestyle as well as major sporting events in 2014, our Group is cautiously optimistic that consumer demand (both the PRC market – for own branding products and the overseas market – for OEM manufacturing) will remain stable.

Our Group is committed to stay vigilant on the industry's development and react promptly to the market changes and will utilise its resources effectively to ensure a healthy and sustainable development of the Group's operations in the long term. Our Group will adopt a prudent approach to minimise risk exposures and stay full alert and responsive to the changing market environment.

Moving forward, our Group will emphasize on enhancing 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

Taxation comprises the following:-

	Quarter and Year to date ended 31.3.2014 RMB'000	Quarter and Year to date ended 31.3.2013 RMB'000
Income tax expense	6,502	7,083
Effective tax rate	31.8%	24.9%

Income tax expense reduced from RMB7.1 million in Quarter 1, 2013 to RMB6.5 million in the current quarter under review, representing a decrease of 8%. The decrease was in tandem with the moderation of the Group's performance during the current quarter under review.

As the Group's principal operations are carried out in the PRC, the effective tax rate reported by the Group is generally correlated to the statutory tax rate applicable in the PRC. During the financial period under review, the effective tax rate stood at 31.8%, higher than the prevailing statutory tax rate of 25% in the PRC primarily 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.

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	Before 31 December 2014	29,100	13,751	15,349	52.7	
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		<u>29,700</u>	<u>14,351</u>	<u>15,349</u>		

N1 The remaining unutilised portions are expected to be utilised by 31 December 2014.



B6. Status of Corporate Proposals and Utilisation of Proceeds (continued)

Rights Issue in 2014

Purpose	Intended Timeframe	Proposed	Actual	Deviation		
		Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	83,700	-	83,700	100	N2
ii) Estimated expenses in relation to the Proposals	Immediate	1,000	1,000	-	-	
		84,700	1,000	83,700		

N2 The remaining unutilised portions are expected to be applied in subsequent periods within the stipulated timeframe.

B7. Borrowings

The Group's borrowings consist of short term loans from financial institutions and recourse factoring, all of which are arranged in the PRC and denominated in RMB.

As at 31 March 2014, 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
	10,000	-	10,000

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	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	13,929	21,321	13,929	21,321
Weighted average number of ordinary shares in issue ('000)	1,076,897	907,498	1,076,897	907,498
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	1.29	2.35	1.29	2.35

The basic earnings per ordinary share for the financial period ended 31 March 2013 have taken into effect of the bonus issue in 2014. The effect of bonus issue was reflected in accordance with MFRS 133, where the earnings per share calculations shall be adjusted retrospectively.

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

As of 31 March 2014, the Group has 261,778,552 Warrant 2012 and 181,499,212 Warrant 2014 in issue, 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 volume-weighted average market price of the Company's ordinary shares during March 2014 was slightly 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 31 March 2014 are analysed as follows:

	As at 31.3.2014 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	587,585
- Unrealised	<u>(32,110)</u>
	555,475
Add: Consolidation adjustments	<u>(12,828)</u>
	542,647
Total Group retained earnings as per consolidated financial statements	<u><u>542,647</u></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 income / (expense) items:

	Quarter and Year to date ended 31.3.2014 RMB'000
Interest income	443
Interest expense	(155)
Depreciation and amortisation expenses	(3,650)
Foreign exchange gain/ (loss)	(895)
Exceptional items	N/A
(Gain)/Loss on disposal of PPE	N/A
(Gain)/Loss on disposal of quoted or unquoted investments or properties	N/A
(Gain)/Loss on derivatives	N/A
Impairment of assets	N/A
Property, plant and equipment ('PPE') written off	N/A
Provision for and write off of receivables	N/A
Provision for and write off of inventories	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 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 RM0.5293 at 31 March 2014. 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 31.3.2014 ⁽¹⁾ RM'000	Quarter ended 31.3.2013 RM'000	Year to date ended 31.3.2014 ⁽¹⁾ RM'000	Year to date ended 31.3.2013 RM'000
Revenue	64,443	72,073	64,443	72,073
Cost of Sales	(48,074)	(52,757)	(48,074)	(52,757)
Gross Profit ("GP")	16,369	19,316	16,369	19,316
Other Income	234	158	234	158
Selling and Distribution Costs	(1,708)	(2,241)	(1,708)	(2,241)
Administrative and Other Expenses	(3,999)	(2,138)	(3,999)	(2,138)
Finance Costs	(82)	(61)	(82)	(61)
Profit before Tax ("PBT")	10,814	15,034	10,814	15,034
Tax Expense	(3,442)	(3,749)	(3,442)	(3,749)
Profit For The Period ("PAT")	<u>7,372</u>	<u>11,285</u>	<u>7,372</u>	<u>11,285</u>
Other Comprehensive Income:				
Foreign currency translations	-	(104)	-	(104)
Other Comprehensive Income, net of tax	-	(104)	-	(104)
Total Comprehensive Income	<u>7,372</u>	<u>11,181</u>	<u>7,372</u>	<u>11,181</u>
Profit attributable to:				
Equity holders of the parent	<u>7,372</u>	<u>11,285</u>	<u>7,372</u>	<u>11,285</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>7,372</u>	<u>11,181</u>	<u>7,372</u>	<u>11,181</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.68	1.24	0.68	1.24
- Diluted (sen)	*	*	*	*



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

	As at 31.3.2014⁽¹⁾ RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	311,863	311,337
Land use rights	27,767	27,928
	<u>339,630</u>	<u>339,265</u>
Current Assets		
Inventories	9,450	5,442
Trade and other receivables	74,482	109,652
Cash and cash equivalents	250,213	153,430
	<u>334,145</u>	<u>268,524</u>
TOTAL ASSETS	<u>673,775</u>	<u>607,789</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	370,091	258,447
Reserves	238,197	261,446
TOTAL EQUITY	<u>608,288</u>	<u>519,893</u>
Non-current Liabilities		
Deferred tax liabilities	11,508	11,099
Current Liabilities		
Trade and other payables	46,284	67,496
Bank borrowings	5,293	5,293
Current tax liabilities	2,402	4,008
	<u>53,979</u>	<u>76,797</u>
TOTAL LIABILITIES	<u>65,487</u>	<u>87,896</u>
TOTAL EQUITY AND LIABILITIES	<u>673,775</u>	<u>607,789</u>
Net assets per share (RM)	<u>0.57</u>	<u>0.57</u>



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

Quarter and year to date ended 31 March 2013	←----- 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	258,447	13,312	13,186	(108,456)	(197)	(1)	301,601	477,892
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(558)	(558)
Transfer to statutory surplus reserve	-	-	43	-	-	-	(43)	-
Total comprehensive income for the period	-	-	-	-	(104)	-	11,285	11,181
At 31 March 2013	258,447	13,312	13,229	(108,456)	(301)	(1)	312,285	488,515



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

Quarter and year to date ended 31 March 2014 ⁽¹⁾	Share Capital RM'000	Share Premium RM'000	←----- Non-distributable ----->				Distributable		Total Equity 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 2014	258,447	-	13,312	15,595	(108,456)	(9,329)	(1)	350,325	519,893
Effects on conversion of functional currency	(23,949)	-	(1,500)	-	-	27,020	-	(1,559)	12
Issue of new shares pursuant to the right issues exercise	77,482	3,529	-	-	-	-	-	-	81,011
Bonus issue	58,111	(3,529)	-	-	-	-	-	(54,582)	-
Free warrants pursuant to the right issues exercise	-	-	13,428	-	-	-	-	(13,428)	-
Transfer to statutory surplus reserve	-	-	-	906	-	-	-	(906)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	7,372	7,372
At 31 March 2014	370,091	-	25,240	16,501	(108,456)	17,691	(1)	287,222	608,288



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

	Year to date ended	
	31.3.2014 ⁽¹⁾ RM'000	31.3.2013 RM'000
Profit before tax	10,814	15,034
Adjustments for non-cash flow:-		
Non-cash items	1,932	137
Non-operating items	(152)	(97)
Operating profit before working capital changes	12,594	15,074
Changes in working capital		
Net change in current assets	31,163	12,981
Net change in current liabilities	(20,587)	(7,503)
Cash generated from operating activities	23,170	20,552
Income tax paid	(4,639)	(5,779)
Net cash generated from operating activities	18,531	14,773
Investing activities		
Interest received	234	158
Purchase of property, plant and equipment	(2,296)	(16,781)
Net cash used in investing activities	(2,062)	(16,623)
Financing activities		
Proceeds from issuance of shares, net of expenses	80,408	-
Drawdown of borrowings	-	5,293
Interest paid	(82)	(61)
Placement of deposits pledged to bank	-	(1,132)
Net cash generated from financing activities	80,326	4,100
Net change in cash and cash equivalents	96,795	2,250
Cash and cash equivalents at beginning of financial period	153,430	161,487
Effect of changes in exchange rate	(12)	(104)
Cash and cash equivalents at end of financial period	250,213	163,633
Cash and cash equivalents at end of financial period		
Cash and bank balances	250,213	163,633
Deposits placed with financial institutions	-	1,138
	250,213	164,771
Less: Deposits pledged to financial institutions	-	(1,138)
	250,213	163,633