



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2014 ⁽¹⁾ RMB'000	Quarter ended 30.6.2013 RMB'000	Year to date ended 30.6.2014 ⁽¹⁾ RMB'000	Year to date ended 30.6.2013 RMB'000
Revenue	141,301	154,866	263,052	291,032
Cost of Sales	(106,383)	(110,574)	(197,209)	(210,248)
Gross Profit ("GP")	34,918	44,292	65,843	80,784
Other Income	481	1,696	924	1,995
Selling and Distribution Costs	(6,350)	(4,982)	(9,577)	(9,215)
Administrative and Other Expenses	(7,463)	(8,055)	(15,018)	(12,094)
Finance Costs	(156)	(156)	(311)	(271)
Profit before Tax ("PBT")	21,430	32,795	41,861	61,199
Tax Expense	(6,451)	(8,684)	(12,953)	(15,767)
Profit For The Period ("PAT")	<u>14,979</u>	<u>24,111</u>	<u>28,908</u>	<u>45,432</u>
Other Comprehensive Income:				
Foreign currency translations	-	(1,199)	-	(1,396)
Other Comprehensive Income, net of tax	-	(1,199)	-	(1,396)
Total Comprehensive Income	<u>14,979</u>	<u>22,912</u>	<u>28,908</u>	<u>44,036</u>
Profit attributable to:				
Equity holders of the parent	<u>14,979</u>	<u>24,111</u>	<u>28,908</u>	<u>45,432</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>14,979</u>	<u>22,912</u>	<u>28,908</u>	<u>44,036</u>
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	1.30	2.66	2.60	5.01
- 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 30.6.2014 ⁽¹⁾ RMB'000	As at 31.12.2013 RMB'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	586,499	588,206
Land use rights	52,156	52,764
	638,655	640,970
Current Assets		
Inventories	18,506	10,282
Trade and other receivables (Note #)	157,462	207,164
Cash and cash equivalents	492,653	289,873
	668,621	507,319
TOTAL ASSETS	1,307,276	1,148,289
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	699,209	488,281
Reserves	465,001	493,946
TOTAL EQUITY	1,164,210	982,227
Non-current Liabilities		
Deferred tax liabilities	22,508	20,970
Current Liabilities		
Trade and other payables (Note @)	106,067	127,520
Bank borrowings	10,000	10,000
Current tax liabilities	4,491	7,572
	120,558	145,092
TOTAL LIABILITIES	143,066	166,062
TOTAL EQUITY AND LIABILITIES	1,307,276	1,148,289
Net assets per share (RMB) ⁽²⁾	1.05	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.

(2) Calculated based on year-to-date weighted average ordinary shares in 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 30 June 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
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



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

Quarter and year to date ended 30 June 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	-	-	-	3,417	-	-	-	(3,417)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	28,908	28,908
At 30 June 2014	699,209	-	47,685	32,880	(204,906)	33,423	(1)	555,920	1,164,210

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	
	30.6.2014 ⁽¹⁾ RMB'000	30.6.2013 RMB'000
Profit before tax	41,861	61,199
Adjustments for non-cash flow:-		
Non-cash items	7,392	2,323
Non-operating items	(613)	(288)
Operating profit before working capital changes	48,640	63,234
Changes in working capital		
Net change in current assets	41,478	(13,232)
Net change in current liabilities	(21,453)	(2,972)
Cash generated from operating activities	68,665	47,030
Income tax paid	(14,497)	(18,002)
Net cash generated from operating activities	54,168	29,028
Investing activities		
Interest received	924	560
Purchase of property, plant and equipment	(5,077)	(51,985)
Net cash used in investing activities	(4,153)	(51,425)
Financing activities		
Proceeds from issuance of shares, net of expenses	153,053	-
Drawdown of borrowings	-	10,000
Interest paid	(311)	(271)
Reduction in/(Placement) of deposits pledged to bank	-	(2,142)
Net cash generated from financing activities	152,742	7,587
Net change in cash and cash equivalents	202,757	(14,810)
Cash and cash equivalents at beginning of financial period	289,873	305,096
Effect of changes in exchange rate	23	(1,306)
Cash and cash equivalents at end of financial period	492,653	288,980
Cash and cash equivalents at end of financial period		
Cash and bank balances	492,653	288,980
Deposits placed with financial institutions	-	2,154
	492,653	291,134
Less: Deposits pledged to financial institutions	-	(2,154)
	492,653	288,980

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

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and 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 Malaysia”) 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 2013 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 2013.

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial 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)
- 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] and MFRS 7)
- 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 (cont'd)

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)
- Employee Benefits (IAS 19 as amended by IASB in November 2013)
- 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)
- 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 financial year ended 31 December 2013 were not subject to any qualification.

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 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 or Declared

There were no dividends paid or declared for the current quarter and financial period under review.



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 RMB'000	Original equipment manufacturer RMB'000	Total RMB'000
Quarter ended 30 June 2014			
Revenue	103,482	37,819	141,301
Interest income	464	17	481
Finance Cost	(156)	*	(156)
Net finance income/(expense)	308	17	325
Quarter ended 30 June 2013			
Revenue	119,225	35,641	154,866
Interest income	253	7	260
Finance Cost	(155)	*	(155)
Net finance income/(expense)	98	7	105

* Less than RMB1,000



A8. Segment Information (cont'd)

	Own branding manufacturer RMB'000	Original equipment manufacturer RMB'000	Total RMB'000
Year-to-date ended 30 June 2014			
Revenue	189,970	73,082	263,052
Interest income	792	37	829
Finance Cost	(308)	(1)	(309)
Net finance income/(expense)	484	36	520
Year-to-date ended 30 June 2013			
Revenue	221,559	69,473	291,032
Interest income	548	12	560
Finance Cost	(269)	(1)	(270)
Net finance income/(expense)	279	11	290

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: 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)

Revenue by region (cont'd)

	Quarter ended 30.6.2014 RMB'000	Quarter ended 30.6.2013 RMB'000	Year to date ended 30.6.2014 RMB'000	Year to date ended 30.6.2013 RMB'000
Within the PRC:				
- Eastern region	7,516	9,262	12,666	18,544
- Southern region	68,196	62,067	128,447	118,706
- Western region	36,295	46,050	67,093	82,781
- Northern region	29,294	37,487	54,846	71,001
	<u>141,301</u>	<u>154,866</u>	<u>263,052</u>	<u>291,032</u>

Revenue by products

	Quarter ended 30.6.2014 RMB'000	Quarter ended 30.6.2013 RMB'000	Year to date ended 30.6.2014 RMB'000	Year to date ended 30.6.2013 RMB'000
Sports shoes	97,927	89,404	174,295	168,753
Sports apparels, accessories and equipment	43,374	65,462	88,757	122,279
	<u>141,301</u>	<u>154,866</u>	<u>263,052</u>	<u>291,032</u>

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 2014 is as follows:

	As at 30.6.2014 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>45,066</u>

A13. Significant Related Party Transactions

	Quarter ended 30.6.2014 RMB'000	Quarter ended 30.6.2013 RMB'000	Year to date ended 30.6.2014 RMB'000	Year to date ended 30.6.2013 RMB'000
Rental paid to related parties	<u>402</u>	<u>402</u>	<u>804</u>	<u>970</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 Group's performance remained healthy during the current quarter and financial period under review, with revenue stood at RMB141.3 million and RMB263.1 million respectively, although lower by approximately 8.8% and 9.6% when compared to the corresponding period in 2013.

High product homogenisation, active penetration by international sportswear brands and rapid expansion of international fast-fashion brands are amongst the challenges faced by the PRC domestic sportswear brand.

Moderation of the Group's performance during the current quarter and financial period under review was primarily due to the following factors:

- Lower sales volume achieved for 'XiDeLang' brand sportswear and accessories, stood at approximately 0.9 million pieces (Q2, 2013: 1.4 million pieces) and 1.5 million pieces (6 months, 2013: 2.3 million pieces) for the current quarter and financial period under review.
- Minor price adjustment to new models launched in order to enhance the competitiveness, and to suit the consumer expectations.

Notwithstanding that, the Group's efforts to expand the OEM market has proved fruitful with increased revenue recorded during the current quarter and financial period under review. Sales from OEM orders during the current quarter and financial period under review strengthened by approximately 6.1% and 5.2% respectively, when compared to the corresponding period in preceding year, backed by the gradual recovery of consumer demand in overseas market and established reputation of the Group in the industry.

Gross profit for the current quarter and financial period under review remained healthy, stood at approximately RMB34.9 million and RMB65.8 million respectively albeit this is lower by approximately 21.2% and 18.5% when compared to the corresponding period in preceding year. Gross profit margin for the current quarter and financial period under review remained encouraging stood at 24.7% and 25.0% respectively, lower as compared to the corresponding period in preceding year. This was mainly due to 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.



B1. Analysis of Performance (cont'd)

Selling and distribution costs

Selling and distribution costs for the current quarter and year-to-date ended 30 June 2014 stood at approximately RMB6.4 million and RMB9.6 million respectively, higher by approximately 27.5% and 3.9% as compared to the corresponding period in preceding year.

The increase during the current quarter under review was mainly due to higher outlay of advertising and marketing expenses in the quarter, in line with the Group's strategy to sustain the market awareness of 'XiDeLang' brand

The Group adopts a cost-effective approach for advertising and promotional activities, where selling and distribution cost is prudently planned at an appropriate level aiming at striking a balance between the needs to sustain the market exposure of the Group's proprietary 'XiDeLang' brand and to achieve cost-saving.

Administrative and other expenses

Administrative and other expenses for the current quarter under review has remained relatively consistent with the corresponding period in preceding year, with a slight saving of 7.3% achieved.

Administrative and other expenses for year-to-date ended 30 June 2014, on the other hand, increased by 24.2% as compared to the corresponding period in preceding year, up from RMB12.1 million to RMB15.0 million.

The increase in administrative and other expenses during the year-to-date ended 30 June 2014 was primarily due to non-recurring corporate exercise expenses pursuant to the Right Issue Exercise completed during the financial period under review.

Profit level

During the current quarter under review, our Group recorded profit before tax and after tax of RMB21.4 million and RMB15.0 million respectively. This represented a decline of 34.7% and 37.9% respectively, as compared to the corresponding period in preceding year.

During the first half of 2014, our Group recorded profit before tax and after tax of RMB41.9 million and RMB28.9 million respectively, moderated by approximately 31.6% and 36.4% respectively as compared to first half of 2013.

The moderation of profit level was mainly linked to the softened 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

	Current quarter ended 30 June 2014 RMB'000	Preceding quarter ended 31 March 2014 RMB'000
Revenue	141,301	121,751
Profit before taxation ("PBT")	21,430	20,431

Revenue for the current quarter ended 30 June 2014 strengthened by 16.1% as compared to the preceding quarter ended 31 March 2014, stood at RMB141.3 million.

This has contributed positively to our Group's performance, with profit before taxation for the current quarter under review enhanced by approximately RMB1.0 million or 4.9% to RMB21.4 million, from RMB20.4 million in the preceding quarter ended 31 March 2014.

The improved performance in the current quarter ended 30 June 2014 as compared to preceding quarter ended 31 March 2014 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 2014 and in conjunction with the change in season (spring to summer).

B3. Prospects

Ongoing urbanisation process with rising per capita disposable income, improving awareness of healthy lifestyle and growing popularity of sports in China are amongst the favourable factors contributing towards sustainable and healthy domestic demand for sportswear in the PRC. This is further complemented by the Chinese Government's economic reforms which seen the implementation of various stimulus and measures aiming at enhancing the domestic consumption in the PRC thereby reducing the reliance on investment and exports in the long term in order to establish a more sustainable growth model for China's economy.

Although the global economy remains challenging with the political unrest in the Middle East and new threats of sovereign risk in some of the European countries, it is generally believed that the Chinese Government's economic policies have managed to curb the inflation for the immediate future. According the statistics published by National Bureau of Statistics of China, China's GDP grew by 7.4% in the first half of 2014, while total retail sale of consumer goods rose by 12.1% with average disposable income per capita of urban households increased to RMB14,959 representing a real growth of 7.1% (after deducting price factors).

Backed by these favourable factors, the Group is cautiously optimistic that consumer demand will remain healthy and the Group will be able to maintain healthy performance for this financial year ending 31 December 2014.



B4. Profit Forecast or Profit Guarantee

Not applicable as no profit forecast or profit guarantee has been previously published or issued by the Group

B5. Income Tax Expense

	Quarter ended 30.6.2014 RMB'000	Quarter ended 30.6.2013 RMB'000	Year to date ended 30.6.2014 RMB'000	Year to date ended 30.6.2013 RMB'000
Income tax expense	6,451	8,684	12,953	15,767
Effective tax rate	30.1%	26.5%	30.9%	25.8%

In line with the moderation of the Group's performance during the financial period under review, income tax expense reduced by approximately 25.7% and 17.8% respectively for the current quarter and financial period under review, stood at RMB6.5 million (Q2,2013: RMB8.7 million) and RMB13.0 million (6 months, 2013: RMB15.8 million) respectively.

The effective tax rate of the Group stood at 30.1% and 30.9%, for the current quarter and year to date ended 30 June 2014 respectively, higher than the statutory tax rate of 25% applicable within the PRC. This 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 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		
			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	14,144	14,956	51.4	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	14,744	14,956		

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

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

As at 30 June 2014, the Group's outstanding borrowings liabilities are as follows:

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
Current			
Short term bank loan	10,000	-	10,000
	10,000	-	10,000

The 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	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	14,979	24,111	28,908	45,432
Weighted average number of ordinary shares in issue ('000)	1,149,496	907,498	1,113,398	907,498
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	1.30	2.66	2.60	5.01

(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 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 2014 are analysed as follows:

	As at 30.6.2014 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	601,626
- Unrealised	(32,110)
	<hr/>
	569,516
Add: Consolidation adjustments	(13,596)
	<hr/>
Total Group retained earnings as per consolidated financial statements	<u>555,920</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 ended 30.6.2014 RMB'000	Year to date ended 30.6.2014 RMB'000
Interest income	481	924
Interest expense	(156)	(311)
Depreciation and amortisation expenses	(3,742)	(7,392)
Net foreign exchange gain/ (loss)	104	(791)
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 RM0.5219 at 30 June 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 30.6.2014 RM'000	Quarter ended 30.6.2013 RM'000	Year to date ended 30.6.2014 RM'000	Year to date ended 30.6.2013 RM'000
Revenue	73,745	80,825	137,287	151,890
Cost of Sales	<u>(55,521)</u>	<u>(57,709)</u>	<u>(102,923)</u>	<u>(109,728)</u>
Gross Profit ("GP")	18,224	23,116	34,364	42,162
Other Income	251	885	482	1,041
Selling and Distribution Costs	(3,314)	(2,600)	(4,998)	(4,809)
Administrative and Other Expenses	(3,895)	(4,204)	(7,838)	(6,312)
Finance Costs	<u>(81)</u>	<u>(81)</u>	<u>(162)</u>	<u>(141)</u>
Profit before Tax ("PBT")	11,185	17,116	21,848	31,941
Tax Expense	<u>(3,367)</u>	<u>(4,532)</u>	<u>(6,760)</u>	<u>(8,229)</u>
Profit For The Period ("PAT")	<u>7,818</u>	<u>12,584</u>	<u>15,088</u>	<u>23,712</u>
Other Comprehensive Income:				
Foreign currency translations	-	(626)	-	(729)
Other Comprehensive Income, net of tax	<u>-</u>	<u>(626)</u>	<u>-</u>	<u>(729)</u>
Total Comprehensive Income	<u>7,818</u>	<u>11,958</u>	<u>15,088</u>	<u>22,983</u>
Profit attributable to:				
Equity holders of the parent	<u>7,818</u>	<u>12,584</u>	<u>15,088</u>	<u>23,712</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>7,818</u>	<u>11,958</u>	<u>15,088</u>	<u>22,983</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.68	1.39	1.36	2.61
- Diluted (sen)	*	*	*	*



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

	As at 30.6.2014 RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	306,094	306,985
Land use rights	27,220	27,537
	<u>333,314</u>	<u>334,522</u>
Current Assets		
Inventories	9,658	5,366
Trade and other receivables	82,179	108,119
Cash and cash equivalents	257,116	151,285
	<u>348,953</u>	<u>264,770</u>
TOTAL ASSETS	<u>682,267</u>	<u>599,292</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	364,917	254,834
Reserves	242,684	257,790
TOTAL EQUITY	<u>607,601</u>	<u>512,624</u>
Non-current Liabilities		
Deferred tax liabilities	11,747	10,944
Current Liabilities		
Trade and other payables	55,356	66,553
Bank borrowings	5,219	5,219
Current tax liabilities	2,344	3,952
	<u>62,919</u>	<u>75,724</u>
TOTAL LIABILITIES	<u>74,666</u>	<u>86,668</u>
TOTAL EQUITY AND LIABILITIES	<u>682,267</u>	<u>599,292</u>
Net assets per share (RM)	<u>0.55</u>	<u>0.56</u>



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

Quarter and year to date ended 30 June 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	254,834	13,126	13,002	(106,940)	(195)	(1)	297,384	471,210
Transfer to statutory surplus reserve	-	-	236	-	-	-	(236)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(1,220)	(1,220)
Dividend declared	-	-	-	-	-	-	(3,666)	(3,666)
Total comprehensive income for the period	-	-	-	-	(728)	-	23,712	22,984
At 30 June 2013	254,834	13,126	13,238	(106,940)	(923)	(1)	315,974	489,308



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

Quarter and year to date ended 30 June 2014	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	254,834	-	13,126	15,377	(106,940)	(9,199)	(1)	345,427	512,624
Effects on conversion of functional currency	(23,614)	-	(1,480)	-	-	26,643	-	(1,538)	11
Issue of new shares pursuant to the right issues exercise	76,398	3,480	-	-	-	-	-	-	79,878
Bonus issue	57,299	(3,480)	-	-	-	-	-	(53,819)	-
Free warrants pursuant to the right issues exercise	-	-	13,240	-	-	-	-	(13,240)	-
Transfer to statutory surplus reserve	-	-	-	1,783	-	-	-	(1,783)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	15,088	15,088
At 30 June 2014	364,917	-	24,886	17,160	(106,940)	17,444	(1)	290,135	607,601



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

	Year to date ended	
	30.6.2014 RM'000	30.6.2013 RM'000
Profit before tax	21,848	31,941
Adjustments for non-cash flow:-		
Non-cash items	3,858	1,212
Non-operating items	(320)	(150)
Operating profit before working capital changes	25,386	33,003
Changes in working capital		
Net change in current assets	21,647	(6,906)
Net change in current liabilities	(11,196)	(1,551)
Cash generated from operating activities	35,837	24,546
Income tax paid	(7,566)	(9,395)
Net cash generated from operating activities	28,271	15,151
Investing activities		
Interest received	482	292
Purchase of property, plant and equipment	(2,650)	(27,131)
Net cash used in investing activities	(2,168)	(26,839)
Financing activities		
Proceeds from issuance of shares, net of expenses	79,878	-
Drawdown of borrowings	-	5,219
Interest paid	(162)	(141)
Reduction in/(Placement) of deposits pledged to bank	-	(1,118)
Net cash generated from financing activities	79,716	3,960
Net change in cash and cash equivalents	105,819	(7,728)
Cash and cash equivalents at beginning of financial period	151,285	159,229
Effect of changes in exchange rate	12	(682)
Cash and cash equivalents at end of financial period	257,116	150,819
Cash and cash equivalents at end of financial period		
Cash and bank balances	257,116	150,819
Deposits placed with financial institutions	-	1,124
	257,116	151,943
Less: Deposits pledged to financial institutions	-	(1,124)
	257,116	150,819