



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2014

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2014 ⁽¹⁾ RMB'000	Quarter ended 31.12.2013 RMB'000	Year to date ended 31.12.2014 ⁽¹⁾ RMB'000	Year to date ended 31.12.2013 RMB'000
Revenue	119,614	178,199	530,035	646,200
Cost of Sales	(92,339)	(130,550)	(399,284)	(474,499)
Gross Profit ("GP")	27,275	47,649	130,751	171,701
Other Income	2,448	15,412	4,309	19,468
Selling and Distribution Costs	(10,913)	(3,416)	(31,177)	(15,815)
Administrative and Other Expenses	(13,477)	(16,556)	(36,081)	(36,951)
Finance Costs	(127)	(140)	(594)	(563)
Profit before Tax ("PBT")	5,206	42,949	67,208	137,840
Tax Income/ (Expense)	1,440	(9,540)	(17,629)	(34,265)
Profit For The Period ("PAT")	6,646	33,409	49,579	103,575
Other Comprehensive Income:				
Foreign currency translations	-	(14,966)	-	(17,253)
Other Comprehensive Income, net of tax	-	(14,966)	-	(17,253)
Total Comprehensive Income	6,646	18,443	49,579	86,322
Profit attributable to:				
Equity holders of the parent	6,646	33,409	49,579	103,575
Total Comprehensive Income attributable to:				
Equity holders of the parent	6,646	18,443	49,579	86,322
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	0.58	3.68	4.38	11.41
- 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 31.12.2014⁽¹⁾ RMB'000	As at 31.12.2013 RMB'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	581,051	588,206
Land use rights	51,547	52,764
	632,598	640,970
Current Assets		
Inventories	11,091	10,282
Trade and other receivables (Note #)	138,514	207,164
Tax recoverable	410	-
Cash and cash equivalents	517,914	289,873
	667,929	507,319
TOTAL ASSETS	1,300,527	1,148,289
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	699,209	488,281
Reserves	485,650	493,946
TOTAL EQUITY	1,184,859	982,227
Non-current Liabilities		
Deferred tax liabilities	19,014	20,970
Current Liabilities		
Trade and other payables (Note @)	84,650	127,520
Bank borrowings	10,000	10,000
Current tax liabilities	2,004	7,572
	96,654	145,092
TOTAL LIABILITIES	115,668	166,062
TOTAL EQUITY AND LIABILITIES	1,300,527	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 31 December 2013	←----- <i>Non-distributable</i> -----→					<i>Distributable</i>		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



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

Quarter and year to date ended 31 December 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)	-	-	51,027	-	(2,946)	-
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	-	-	-	5,571	-	-	-	(5,571)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	49,579	49,579
At 31 December 2014	<u>699,209</u>	-	<u>47,685</u>	<u>35,034</u>	<u>(204,906)</u>	<u>33,401</u>	<u>(1)</u>	<u>574,437</u>	<u>1,184,859</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	
	31.12.2014 ⁽¹⁾ RMB'000	31.12.2013 RMB'000
Profit before tax	67,208	137,840
Adjustments for non-cash flow:-		
Non-cash items	15,277	(5,038)
Non-operating items	(1,297)	(600)
Operating profit before working capital changes	81,188	132,202
Changes in working capital		
Net change in current assets	67,725	(24,868)
Net change in current liabilities	(42,849)	21,340
Cash generated from operating activities	106,064	128,674
Income tax paid	(25,563)	(42,837)
Net cash generated from operating activities	80,501	85,837
Investing activities		
Interest received	1,891	1,163
Withdrawal/ (Placement) of deposit pledged to bank	-	12
Proceeds from disposal of property, plant and equipment	-	207
Purchase of property, plant and equipment	(6,537)	(105,015)
Net cash used in investing activities	(4,646)	(103,633)
Financing activities		
Proceeds from issuance of shares	153,053	-
Dividend paid	-	(6,970)
Drawdown of borrowings	10,000	20,000
Repayment of borrowings	(10,000)	(10,000)
Interest paid	(594)	(563)
Net cash generated from financing activities	152,459	2,467
Net change in cash and cash equivalents	228,314	(15,329)
Cash and cash equivalents at beginning of financial period	289,873	305,096
Effect of changes in exchange rate	(273)	106
Cash and cash equivalents at end of financial period	517,914	289,873
Cash and cash equivalents at end of financial period		
Cash and bank balances	517,914	289,873

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)
- 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)
- 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 2016

- Amendments to MFRS 5 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 7 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 14 Regulatory Deferral Accounts
- Disclosure Initiative (Amendments to MFRS 101)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)
- Amendments to MFRS 119 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- Amendments to MFRS 134 (Annual Improvements to MFRSs 2012 – 2014 Cycle)

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

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

Traditionally, our Group's operations are exposed to certain degree of seasonality, particularly in relation to the manufacturing and marketing of our Group's own brand products. Seasonality fluctuation is inherent in the sportswear industry, due to the fast-changing fashion trends, consumers' taste and preference, as well as climate-induced change in product demand.

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

Rights Issue

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.



A6. Debts and Equity Securities (cont'd)

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 RM84.70 million (equivalent to RMB153.05 million).

Par Value Reduction

The Company had, on 31 December 2014, proposed to undertake a par value reduction involving the following:

- (a) Reduction of issued and paid-up share capital of the Company from USD114,949,601.20 to USD34,484,880.36 by cancelling the paid-up capital of the Company to the extent of USD0.07 on each of the existing issued and paid-ordinary share (including 1,000 shares held as treasury share) of USD0.10 par value so that each issued ordinary share of USD0.10 par value shall be treated as a fully paid-up ordinary share of USD0.03 par value as at the Par Value Reduction Effective Date (to be determined later by the Board) and any liability of the holder of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied (“Proposed Par Value Reduction of Issued Capital”);
- (b) Subject to and forthwith upon the Proposed Par Value Reduction of Issued Capital taking effect, the cancellation of all the authorised but unissued ordinary shares of USD0.10 par value each (which shall include the authorised but unissued share capital resulting from the Proposed Par Value Reduction of Issued Capital) and the diminution of the authorised share capital of the Company of USD300,000,000 by USD265,515,119.64 representing the amount of ordinary shares so cancelled and, forthwith upon such cancellation, the authorised share capital of the Company be increased to USD300,000,000 by the creation of 8,850,503,988 ordinary shares of USD0.03 par value each (representing the difference between 10,000,000,000 ordinary shares of USD0.03 par value each and the number of ordinary shares of USD0.03 par value each in issue after the Proposed Par Value Reduction of Issued Capital); and
- (c) subject to and forthwith upon the Proposed Par Value Reduction of Issued Capital taking effect, the transfer of the credit arising from the Proposed Par Value Reduction of Issued Capital to the contributed surplus account of the Company which may be utilised in such manner as may be determined by the Board and permitted by applicable law, including but not limited to capitalisation of such reserve (or any part thereof) for future corporate exercises of the Company.

(Collectively referred to as the “Proposed Par Value Reduction”)

Circular to shareholders and notice of special general meeting in relation to the Proposed Par Value Reduction had been circulated on 22 January 2015.

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



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 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:

(Quarter ended)	Own branding manufacturer	Original equipment manufacturer (OEM)	Total
	RMB'000	RMB'000	RMB'000
<u>31 December 2014</u>			
Revenue	84,579	35,035	119,614
Interest income	467	12	479
Finance Cost	(131)	-	(131)
Net finance income/(expense)	336	12	348
<u>31 December 2013</u>			
Revenue	140,037	38,162	178,199
Interest income	297	10	307
Finance Cost	(140)	-	(140)
Net finance income/(expense)	157	10	167



A8. Segment Information (cont'd)

(Year-to-date ended)

	Own branding manufacturer RMB'000	Original equipment manufacturer (OEM) RMB'000	Total RMB'000
<u>31 December 2014</u>			
Revenue	392,534	137,501	530,035
Interest income	1,727	68	1,795
Finance Cost	(594)	-	(594)
Net finance income/(expense)	1,133	68	1,201
<u>31 December 2013</u>			
Revenue	496,801	149,399	646,200
Interest income	1,131	32	1,163
Finance Cost	(563)	-	(563)
Net finance income/(expense)	568	32	600

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

Revenue by products

	Quarter ended 31.12.2014 RMB'000	Quarter ended 31.12.2013 RMB'000	Year to date ended 31.12.2014 RMB'000	Year to date ended 31.12.2013 RMB'000
Sports shoes	84,460	100,348	356,681	371,228
Sports apparels, accessories and equipment	35,154	77,851	173,354	274,972
	119,614	178,199	530,035	646,200



A8. Segment Information (cont'd)

Revenue by region

During the financial period under review, the Group derived all of its revenue from the People's Republic of China ("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

	Quarter ended 31.12.2014 RMB'000	Quarter ended 31.12.2013 RMB'000	Year to date ended 31.12.2014 RMB'000	Year to date ended 31.12.2013 RMB'000
Within the PRC:				
- Eastern region	5,602	9,811	26,399	37,947
- Southern region	59,771	78,682	252,167	278,886
- Western region	29,359	48,697	137,714	178,757
- Northern region	24,882	41,009	113,755	150,610
	<u>119,614</u>	<u>178,199</u>	<u>530,035</u>	<u>646,200</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 31 December 2014 is as follows:

	As at 31.12.2014 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>43,524</u>

A13. Significant Related Party Transactions

	Quarter ended 31.12.2014 RMB'000	Quarter ended 31.12.2013 RMB'000	Year to date ended 31.12.2014 RMB'000	Year to date ended 31.12.2013 RMB'000
Rental paid to related parties	<u>403</u>	<u>403</u>	<u>1,609</u>	<u>1,775</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 has managed to sustain a reasonable financial performance during the current quarter and financial year under review amid the intensifying industry competition, with revenue of RMB119.6 million and RMB530.0 million respectively which represented a decrease of approximately 32.9% and 18.0% when compared to the corresponding periods in 2013.

Although the issue of excessive inventory as a result of industry-wide over-expansion have largely eased after the correction and consolidation process in the past years, the operating environment of the PRC sportswear industry remains challenging. High product homogenisation, active penetration by international sportswear brands and rapid expansion of international fast-fashion brands have placed the PRC domestic sportswear brand under intense competition pressure.

The Group has remained vigilant during this challenging period and has taken prompt and proactive measure to maintain the sales performance at commendable level. Nonetheless, the Group's financial performance was unavoidably exposed to certain degree of moderation during the current quarter and financial year under review as a result of the market challenges and increasingly sophisticated consumer demand and prudent spending sentiments.

The Group's own proprietary brand products recorded revenue of RMB84.6 million for the current quarter under review (Quarter 4, 2013: RMB140.0 million) and RMB392.5 million for the financial year ended 31 December 2014 (12 months, 2013: RMB496.8 million) representing a decrease of 39.6% and 21.0% respectively as compared to the corresponding periods in 2013.

The decrease in revenue from own-branding ('XiDeLang') products was primarily due to lower sales volume achieved from sports apparels and accessories which approximated to 0.4 million pieces for the current quarter under review (Quarter 4, 2013: 0.6 million pieces) and 2.5 million pieces for the financial year under review (12 months, 2013: 4.0 million pieces), as a result of intensifying market competition.

Affected by the global economic uncertainties, revenue from OEM orders during the current quarter and financial year under review have reported a slight decrease, of RMB35.0 million (Quarter 4, 2013: RMB38.2 million) and RMB137.5 million (12 months, 2013: RMB149.4 million) respectively. The decline was volume-driven, with volume sold during the current quarter and financial year under review lowered to approximately 0.6 million pairs (Quarter 4, 2013: 0.7 million pairs) and 2.3 million pairs (12 months, 2013: 2.9 million pairs) respectively.

Regardless of the intense competition globally and domestically, the Group managed to garner stable OEM orders as a result of its enhanced production capability following the commencement of use of the Group's new headquarter and production centre. This has produced an additional recurring revenue stream for the Group.



B1. Analysis of Performance (cont'd)

Gross profit for the current quarter and financial year under review remained healthy, stood at approximately RMB27.3 million and RMB130.8 million respectively, although this has decreased by approximately 42.8% and 23.8% respectively when compared to the corresponding periods in 2013 as a result of lower sales in 2014.

Selling and distribution costs

Selling and distribution costs for the current quarter and financial year ended 31 December 2014 stood at approximately RMB10.9 million and RMB31.2 million respectively, higher by approximately 219.5% and 97.1% as compared to the corresponding periods in preceding year.

Marketing efforts of the Group are prudently planned and resources allocated are maintained at an appropriate level aiming at striking a balance between the necessity to sustain market exposure of the Group's proprietary 'XiDeLang' brand and to achieve cost-saving amid the intensifying market competition.

The increase in selling and distribution costs for the current quarter and financial year under review was mainly due to higher advertising costs incurred, where the higher outlay is considered both necessary and timely in order to boost the brand awareness of 'XiDeLang' brand for long term benefits. This will also help to fortify the consumers' confidence in the Group, effectively position the Group as an established sportswear manufacturer in the market and cultivate stronger brand loyalty.

Administrative and other expenses

Administrative and other expenses for the current quarter and financial year under review have been managed closely, reporting a saving of approximately 18.6% and 2.4% respectively.

The Group monitors the outlay of administrative expenses closely to ensure that administrative overheads are capped at an optimal level.

Profit level

The Group has managed to sustain the operations at reasonable profitability level during this challenging operating environment; albeit that it is at a lower level when compared to the corresponding periods the in preceding year resulting from lower sales.

For the current quarter and financial year under review, the Group profit after tax stood at RMB6.6 million and RMB49.6 million respectively, lowered by approximately 80.1% and 52.1% respectively when compared to corresponding periods in preceding year.

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 31 December 2014 RMB'000	Preceding quarter ended 30 September 2014 RMB'000
Revenue	119,614	147,369
Profit before taxation ("PBT")	5,206	20,141

The Group's revenue eased by approximately 18.8% from RMB147.4 million in the preceding quarter ended 30 September 2014 to RMB119.6 million during the current quarter under review, as a result of lower sales recorded.

The Group's PBT for the current quarter decreased by approximately 74.2% or RMB14.9 million as compared to the preceding quarter, primarily due to the following factors:

- (a) Decrease in gross profit by approximately RMB10.4 million as a result of lower sales recorded during the current quarter under review; and
- (b) Increase in administrative and other expenses by approximately RMB5.9 million, primarily due to additional property taxes accrued and unrealised foreign exchange losses recorded during the current quarter under review.

The decrease was partially mitigated by an increase in other income of approximately RMB1.5 million as a result of additional interest income earned and unrealised foreign exchange gains recorded during the current quarter under review.



B3. Prospects

The outlook of the global economy in the near term remains full of uncertainties, though the global economic recovery is expected to continue in 2015 at a moderate pace with varying rate of growth across the regions and countries.

In the context of China, it is inevitably that the consecutive decline in the producer price index during the last two years have triggered certain degree of concerns among the general public about China's economic outlook. Nonetheless, the economic reform and rebalancing measures implemented by the Chinese Government is generally believed to have been effective in stabilising inflation while maintaining a healthy momentum in economic growth, with the Gross Domestic Product (GDP) annual growth rate remained positive and steady at 7.4% in 2014.

Implementation of the new urbanisation plan and loosening of the restrictive one-child population policy by the Chinese Government are amongst the stimulus to drive the continuous expansion of the domestic demand within China in the long run.

Although the growth of the China's sportswear industry in the near term may be moderated due to the economic uncertainties, the Group is cautiously optimistic that consumer demand will remain healthy in the year ahead and the Group will be able to sustain an encouraging financial performance for the financial year ending 31 December 2015.

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. Tax Income/ (Expense)

	Quarter ended 31.12.2014 RMB'000	Quarter ended 31.12.2013 RMB'000	Year to date ended 31.12.2014 RMB'000	Year to date ended 31.12.2013 RMB'000
Tax income / (expense)	1,440	(9,540)	(17,629)	(34,265)
Effective tax rate	+ 27.7%	- 22.2%	- 26.2%	- 24.9%

The Group's operations are primarily concentrated in the PRC, where the prevailing statutory corporate tax rate stood at 25%.

For the financial year ended 31 December 2014, the effective tax rate stood at 26.2% which is marginally higher than the statutory tax rate of 25% applicable in the PRC. This was primarily due to the tax losses incurred by some of the entities within the Group (those that engaged in investment holding) were not allowed to be offset against the taxable profits reported by the operating entities within the Group, as well as certain non-allowable expenses added-back in the final tax computation.

For the current quarter under review, the effective tax rate was positive at 27.7%. This was primarily due to tax income recorded during the current quarter under review, as a result of the reversal of expected withholding tax on undistributed profits of the PRC subsidiaries amounting to approximately RMB4.23 million recognised during the current quarter under review. Numerical reconciliation between the tax income for the current quarter under review and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	RMB'000
Profit for the quarter ended 31 December 2014	5,206
Tax at the domestic tax rates applicable to profits in the countries concerned	(1,302)
Tax effect in respect of:	
- Reversal of expected withholding tax on undistributed profits of the PRC subsidiaries	4,227
- Adjustments for non-allowable expenses/ losses and non-deductible income in final tax computation	(1,485)
Tax income for the quarter ended 31 December 2014	1,440

B6. Status of Corporate Proposals and Utilisation of Proceeds

Private placement and rights issue of warrants in 2012

Total gross proceeds raised amounted to RM29.7 million (equivalent to RMB54.78 million). The status of utilisation is as follows:

(In RM)

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 June 2015	29,100	16,346	12,754	43.8	N1
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		29,700	16,946	12,754		

(In RMB)

Purpose	Intended Timeframe	Proposed	Actual	Deviation		
		Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Purchase machinery and equipment for new design and production centre	Before June 2015	53,670	30,234	23,436	43.7	N1
ii) Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
		54,777	31,341	23,436		

Remark

N1 The funds raised have been earmarked for the acquisition of eight (8) new advance production lines for the new design and production centre. As of the date of this report, two (2) new production lines have been acquired and installed. The deposit of the remaining six (6) new production lines had been paid and the balance will be paid upon delivery and installation of these production lines, which is expected to take place in the second quarter of 2015.

B6. Status of Corporate Proposals and Utilisation of Proceeds (cont'd)

Rights Issue in 2014

Total gross proceeds raised amounted to RM84.7 million (equivalent to RM153.05 million). The status of utilisation is as follows:

(In RM)

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 ("Stage 2 Construction")	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		

(In RMB)

Purpose	Intended Timeframe	Proposed	Actual	Deviation		
		Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	Within 3 years	151,246	-	151,246	100	N2
ii) Estimated expenses in relation to the Proposals	Immediate	1,807	1,807	-	-	
		153,053	1,807	151,246		

Remark

N2 The proposed building plan for the construction of the second stage of new Design & Production Centre has been submitted to the relevant authorities in China and is still under their assessment. The utilisation for the funds raised is expected to be within three (3) years from the commencement of Stage 2 Construction.



B7. Borrowings

As at 31 December 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

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	
	31.12.2014 RMB'000	31.12.2013 RMB'000	31.12.2014 RMB'000	31.12.2013 RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	6,646	33,409	49,579	103,575
Weighted average number of ordinary shares in issue ('000)	1,149,497	907,498	1,132,259	907,498
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	0.58	3.68	4.38	11.41

(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').



B9. Earnings per Share (cont'd)

(2) Diluted Earnings per Share ("DEPS") (cont'd)

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 31 December 2014 are analysed as follows:

	As at 31.12.2014 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	616,902
- Unrealised	<u>(252)</u>
	616,650
Add: Consolidation adjustments	<u>(42,213)</u>
Total Group retained earnings as per consolidated financial statements	<u><u>574,437</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 ended 31.12.2014 RMB'000	Year to date ended 31.12.2014 RMB'000
Interest income	480	1,891
Interest expense	(128)	(594)
Depreciation and amortisation expenses	(3,760)	(14,909)
Net foreign exchange gain/ (loss)	475	(252)
Provision for and write off of inventories	(116)	(116)
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 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 RM0.5689 at 31 December 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 31.12.2014 RM'000	Quarter ended 31.12.2013 RM'000	Year to date ended 31.12.2014 RM'000	Year to date ended 31.12.2013 RM'000
Revenue	68,048	101,377	301,537	367,623
Cost of Sales	(52,532)	(74,270)	(227,153)	(269,942)
Gross Profit ("GP")	15,516	27,107	74,384	97,681
Other Income	1,393	8,768	2,451	11,075
Selling and Distribution Costs	(6,208)	(1,943)	(17,737)	(8,997)
Administrative and Other Expenses	(7,667)	(9,419)	(20,526)	(21,021)
Finance Costs	(72)	(80)	(338)	(320)
Profit before Tax ("PBT")	2,962	24,433	38,234	78,418
Tax Income/ (Expense)	819	(5,427)	(10,029)	(19,493)
Profit For The Period ("PAT")	3,781	19,006	28,205	58,925
Other Comprehensive Income:				
Foreign currency translations	-	(8,514)	-	(9,815)
Other Comprehensive Income, net of tax	-	(472)	-	(9,815)
Total Comprehensive Income	3,781	10,492	28,205	49,110
Profit attributable to:				
Equity holders of the parent	3,781	19,006	28,205	58,925
Total Comprehensive Income attributable to:				
Equity holders of the parent	3,781	10,492	28,205	49,110
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.33	2.09	2.49	6.49
- Diluted (sen)	*	*	*	*



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

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	330,560	334,630
Land use rights	29,325	30,017
	<u>359,885</u>	<u>364,647</u>
Current Assets		
Inventories	6,310	5,850
Trade and other receivables	78,801	117,856
Tax recoverable	233	-
Cash and cash equivalents	294,641	164,909
	<u>379,985</u>	<u>288,615</u>
TOTAL ASSETS	<u>739,870</u>	<u>653,262</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	397,780	277,783
Reserves	276,285	281,006
TOTAL EQUITY	<u>674,065</u>	<u>558,789</u>
Non-current Liabilities		
Deferred tax liabilities	10,818	11,930
Current Liabilities		
Trade and other payables	48,158	72,546
Bank borrowings	5,689	5,689
Current tax liabilities	1,140	4,308
	<u>54,987</u>	<u>82,543</u>
TOTAL LIABILITIES	<u>65,805</u>	<u>94,473</u>
TOTAL EQUITY AND LIABILITIES	<u>739,870</u>	<u>653,262</u>
Net assets per share (RM)	<u>0.60</u>	<u>0.61</u>



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

Quarter and Year to date ended 31 December 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	277,783	14,308	14,172	(116,571)	(212)	(1)	324,165	513,644
Transfer to statutory surplus reserve	-	-	2,589	-	-	-	(2,589)	-
Dividend declared	-	-	-	-	-	-	(3,965)	(3,965)
Total comprehensive income for the period	-	-	-	-	(9,815)	-	58,925	49,110
At 31 December 2013	<u>277,783</u>	<u>14,308</u>	<u>16,761</u>	<u>(116,571)</u>	<u>(10,027)</u>	<u>(1)</u>	<u>376,536</u>	<u>558,789</u>



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

Quarter and Year to date ended 31 December 2014	←----- 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 2014	277,783	-	14,308	16,761	(116,571)	(10,027)	(1)	376,536	558,789
Effects on conversion of functional currency	(25,740)	-	(1,613)	-	-	29,029	-	(1,676)	-
Issue of new shares pursuant to the right issues exercise	83,278	3,793	-	-	-	-	-	-	87,071
Bonus issue	62,459	(3,793)	-	-	-	-	-	(58,666)	-
Free warrants pursuant to the right issues exercise	-	-	14,432	-	-	-	-	(14,432)	-
Transfer to statutory surplus reserve	-	-	-	3,169	-	-	-	(3,169)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	28,205	28,205
At 31 December 2014	397,780	-	27,127	19,930	(116,571)	19,002	(1)	326,798	674,065



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

	Year to date ended	
	31.12.2014 RM'000	31.12.2013 RM'000
Profit before tax	38,234	78,418
Adjustments for non-cash flow:-		
Non-cash items	8,691	(2,867)
Non-operating items	(738)	(341)
Operating profit before working capital changes	46,187	75,210
Changes in working capital		
Net change in current assets	38,529	(14,148)
Net change in current liabilities	(24,377)	12,141
Cash generated from operating activities	60,339	73,203
Income tax paid	(14,543)	(24,370)
Net cash generated from operating activities	45,796	48,833
Investing activities		
Interest received	1,076	661
Withdrawal/ (Placement) of deposit pledged to bank	-	7
Proceeds from disposal of property, plant and equipment	-	118
Purchase of property, plant and equipment	(3,718)	(59,744)
Net cash used in investing activities	(2,642)	(58,958)
Financing activities		
Proceeds from issuance of shares, net of expenses	87,071	-
Dividend paid	-	(3,965)
Drawdown of borrowings	5,689	11,378
Repayment of borrowings	(5,689)	(5,689)
Interest paid	(338)	(320)
Net cash generated from financing activities	86,733	1,404
Net change in cash and cash equivalents	129,887	(8,721)
Cash and cash equivalents at beginning of financial period	164,909	173,569
Effect of changes in exchange rate	(155)	61
Cash and cash equivalents at end of financial period	294,641	164,909
Cash and cash equivalents at end of financial period		
Cash and bank balances	294,641	164,909