



## **XiDeLang Holdings Ltd**

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

### **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2015**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.3.2015 <sup>(1)</sup> RMB'000	Quarter ended 31.3.2014 RMB'000	Year to date ended 31.3.2015 <sup>(1)</sup> RMB'000	Year to date ended 31.3.2014 RMB'000
Revenue	102,542	121,751	102,542	121,751
Cost of Sales	(80,316)	(90,826)	(80,316)	(90,826)
Gross Profit ("GP")	22,226	30,925	22,226	30,925
Other Income	508	443	508	443
Distribution Costs	(164)	(166)	(164)	(166)
Administrative and Other Expenses	(16,590)	(10,616)	(16,590)	(10,616)
Finance Costs	(137)	(155)	(137)	(155)
<b>Profit before Tax ("PBT")</b>	5,843	20,431	5,843	20,431
Tax Expense	(1,810)	(6,502)	(1,810)	(6,502)
<b>Profit For The Period ("PAT")</b>	4,033	13,929	4,033	13,929
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	4,033	13,929	4,033	13,929
<b>Profit attributable to:</b>				
Equity holders of the parent	4,033	13,929	4,033	13,929
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	4,033	13,929	4,033	13,929
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (RMB cent)	0.35	1.29	0.35	1.29
- Diluted (RMB cent)	*	*	*	*

\* Refer Note B9 for further details

Note:

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.



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

	<b>As at 31.3.2015<sup>(1)</sup> RMB'000</b>	<b>As at 31.12.2014 RMB'000 (audited)</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	577,590	581,051
Land use rights	51,243	51,547
	628,833	632,598
<b>Current Assets</b>		
Inventories	13,783	11,091
Trade and other receivables (Note @)	118,790	138,514
Cash and cash equivalents	535,917	517,914
	668,490	667,519
<b>TOTAL ASSETS</b>	<b>1,297,323</b>	<b>1,300,117</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	209,763	699,209
Reserves	979,129	485,650
<b>TOTAL EQUITY</b>	<b>1,188,892</b>	<b>1,184,859</b>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	19,229	19,014
<b>Current Liabilities</b>		
Trade and other payables (Note #)	78,800	84,650
Bank borrowings	10,000	10,000
Current tax liabilities	402	1,594
	89,202	96,244
<b>TOTAL LIABILITIES</b>	<b>108,431</b>	<b>115,258</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,297,323</b>	<b>1,300,117</b>
<b>Net assets per share (RMB)<sup>(2)</sup></b>	<b>1.03</b>	<b>1.05</b>

*Notes:*

(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 2014 and the accompanying explanatory notes attached to this interim financial report.*

(2) *Calculated based on the weighted average number of ordinary shares in issue for the respective periods.*

Remark

(@) *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 2014	←----- 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	699,209	-	47,685	31,174	(204,906)	33,423	(1)	542,647	1,149,231



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

Quarter and year to date ended 31 March 2015 <sup>(1)</sup>	-----<----- Non-distributable ----->-----						Distributable		Total Equity RMB'000
	Share Capital RMB'000	Capital Reserve 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 2015	699,209	-	47,685	35,034	(204,906)	33,401	(1)	574,437	1,184,859
Surplus arising from par value reduction	(489,446)	489,446	-	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	477	-	-	-	(477)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	4,033	4,033
At 31 March 2015	<u>209,763</u>	<u>489,446</u>	<u>47,685</u>	<u>35,511</u>	<u>(204,906)</u>	<u>33,401</u>	<u>(1)</u>	<u>577,993</u>	<u>1,188,892</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 2014 and the accompanying explanatory notes attached to this interim financial report.



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

	Year to date ended	
	31.3.2015 <sup>(1)</sup> RMB'000	31.3.2014 RMB'000
Profit before tax	5,843	20,431
Adjustments for non-cash flow:-		
Non-cash items	3,776	3,650
Non-operating items	(371)	(288)
Operating profit before working capital changes	9,248	23,793
Changes in working capital		
Net change in current assets	17,032	58,876
Net change in current liabilities	(5,850)	(38,895)
Cash generated from operating activities	20,430	43,774
Income tax paid	(2,787)	(8,765)
Net cash generated from operating activities	17,643	35,009
Investing activities		
Interest received	508	443
Purchase of property, plant and equipment	(11)	(4,338)
Net cash used in investing activities	497	(3,895)
Financing activities		
Proceeds from issuance of shares, net of expenses	-	151,915
Interest paid	(137)	(155)
Net cash generated from financing activities	(137)	151,760
Net change in cash and cash equivalents	18,003	182,874
Cash and cash equivalents at beginning of financial period	517,914	289,873
Effect of changes in exchange rate	-	(23)
Cash and cash equivalents at end of financial period	535,917	472,724
Cash and cash equivalents at end of financial period		
Cash and bank balances	535,917	472,724
Deposits placed with financial institutions	-	-
	535,917	472,724
Less: Deposits pledged to financial institutions	-	-
	535,917	472,724

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 2014 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 and Appendix 9B of the Main Market Listing Requirements (“MMLR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 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 financial year ended 31 December 2014.

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 2014, save for except for the adoption of the following Amendments to MFRSs during the current financial period as disclosed below:

#### 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)

The adoption of the above 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 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 2014 were not subject to any qualification.

## **A3. SEASONALITY OR CYCLICALITY OF OPERATION**

Save for the seasonality that is inherent in the sportswear industry, our Group's operations are not exposed to any anomalous cyclical fluctuation.

## **A4. UNUSUAL ITEMS**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.





## A5. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the current financial quarter.

## A6. DEBTS AND EQUITY SECURITIES

- (i) Corporate proposals relating to debts and/or equity securities

### Corporate exercise completed during the current quarter ended 31 March 2015

▪ *Par value reduction*

On 31 December 2014, the Company announced to undertake a par value reduction via cancellation of USD0.07 of the par value of every issued and unissued share of the Company of USD0.10 each pursuant to Sections 45 and 46 of the Companies Act 1981 of Bermuda ("**Proposed Par Value Reduction**"). The Proposed Par Value Reduction was subsequently approved by the shareholders of the Company at a Special General Meeting held on 13 February 2015 and was effected on 18 February 2015.

### Corporate exercise announced during the current quarter ended 31 March 2015 but completed subsequent to the period end

▪ *Employees' share option scheme*

On 10 March 2015, the Company announced to establish an employees' share option scheme (ESOS) of up to 15% of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible Directors (including non-executive Directors) and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant) ("**Proposed ESOS**"). The Proposed ESOS was subsequently approved by the shareholders of the Company at a Special General Meeting held on 10 April 2015 and was implemented on 17 April 2015.

### Corporate exercise announced subsequent to the period end but before the release of this interim report

▪ *Bonus issue of warrants*

On 15 May 2015, the Company announced to undertake and implement a bonus issue of up to 501,139,441 warrants ("**Warrants**") on the basis of one (1) Warrant for every three (3) existing ordinary shares of USD0.03 each in the Company ("**Shares**") held by registered holders of the Shares on an entitlement date to be determined and announced later by the Board of Directors ("**Proposed Bonus Issue of Warrants**"). To-date, the Proposed Bonus Issue of Warrants is pending the approval of Bursa Securities and the shareholders' approval at a Special General Meeting to be convened at a later date.



## **A6. DEBTS AND EQUITY SECURITIES (cont'd)**

### (ii) Conversion of existing warrants

Subsequent to the financial period end, on 20 April 2015, 100 existing warrants of the Company ("Warrants 2012 / 2015") have been exercised and converted into 100 new ordinary shares of USD0.03 each in the Company at an exercise price of RM0.35.

The exercise rights of Warrants 2012 / 2015 have expired subsequent to the financial period end, on 24 April 2015; and all remaining unexercised Warrants 2012 / 2015 have been delisted from Bursa Securities and withdrawn from the Depositor's Securities Accounts on 27 April 2015.

Save for the above, there were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and 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.



## A8. SEGMENT INFORMATION (cont'd)

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

	<b>Own branding manufacturer RMB'000</b>	<b>Original equipment manufacturer RMB'000</b>	<b>Total RMB'000</b>
<b>Quarter ended 31 March 2015</b>			
Revenue	78,055	24,487	102,542
Interest income	497	11	508
Finance Cost	(136)	(1)	(137)
Net finance income/(expense)	361	10	371
<b>Quarter ended 31 March 2014</b>			
Revenue	86,488	35,263	121,751
Interest income	328	20	348
Finance Cost	(152)	(1)	(153)
Net finance income/(expense)	176	19	195

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

### ***Revenue by products***

	<b>Sales revenue by products</b>	
	<b>Quarter and Year to date ended 31.3.2015 RMB'000</b>	<b>Quarter and Year to date ended 31.3.2014 RMB'000</b>
Sports shoes	76,550	76,368
Sports apparel, accessories and equipment	25,992	45,383
	102,542	121,751



## A8. SEGMENT INFORMATION (cont'd)

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.

### *Revenue by region*

	<b>Sales revenue by regions</b>	
	<b>Quarter and Year to date ended</b>	<b>Quarter and Year to date ended</b>
	<b>31.3.2015</b>	<b>31.3.2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within the PRC:		
- Eastern region	4,948	5,150
- Southern region	47,962	60,251
- Western region	26,760	30,798
- Northern region	22,872	25,552
	102,542	121,751

## A9. SUBSEQUENT MATERIAL EVENTS

Save for the Proposed Bonus Issue of Warrants and conversion of existing warrants as disclosed under Note A6, there are no other material events subsequent to the end of the current quarter that have not been reflected in this interim financial 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 2015 is as follows:

	<b>As at 31.3.2015 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>43,524</u>

## A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

	<b>Quarter and Year to date ended 31.3.2015 RMB'000</b>	<b>Quarter and Year to date ended 31.3.2014 RMB'000</b>
Rental paid to related parties	<u>268</u>	<u>402</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.

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

### **B1. ANALYSIS OF PERFORMANCE**

#### Revenue & Gross Profit

Our Group's performance for the current quarter under review remained commendable, with revenue and gross profit stood at approximately RMB102.5 million and RMB22.2 million respectively; moderated by approximately 15.8% and 28.1% respectively as compared to revenue of RMB121.8 million and gross profit of RMB30.9 million recorded in corresponding period in preceding year ended 31 March 2014.

The moderation was primarily due to lower revenue recorded from sales of own-branding sports apparel, accessories and equipment during the current quarter under review, decreased by approximately 42.7% from RMB45.4 million in Quarter 1, 2014 to RMB26.0 million; primarily due to lower sales volume achieved. Total volume sold stood at approximately 0.4 million pieces for the current quarter under review, as opposed to approximately 0.6 million pieces in Quarter 1, 2014.

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

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.

#### Profit Level

Our Group continued the profitability trend during the current quarter under review, with profit before tax (PBT) stood at approximately RMB5.8 million (Quarter 1, 2014: RMB20.4 million) and net profit after tax (PAT) stood at approximately RMB4.0 million (Quarter 1, 2014: RMB13.9 million).

The lower PBT and PAT recorded for the current quarter under review was primarily attributable to the following factors:

- (i) Lower revenue and gross profit recorded as explained above; and
- (ii) Increase in administrative and other expenses incurred as a result of the higher advertisement costs incurred during the current quarter under review which the Management considers necessary and strategic, in order to sustain the market awareness and brand exposure of our Group's proprietary 'XiDeLang' brand.

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

	<b>Current quarter ended 31 March 2015 RMB'000</b>	<b>Preceding quarter ended 31 December 2014 RMB'000</b>
Revenue	102,542	119,614
Profit before taxation ("PBT")	<u>5,843</u>	<u>5,206</u>

Revenue for the current quarter under review stood at RMB102.5 million, lower by approximately 14.3% or RMB17.1 million as compared to the preceding quarter ended 31 December 2014; primarily due to the slowdown of the overall market activities in China in conjunction with the long holidays for celebration of Chinese New Year.

PBT for the current quarter under review, on contrast, improved by approximately 12.2% from RMB5.2 million in the preceding quarter ended 31 December 2014 to RMB5.8 million during the current quarter under review. This was mainly due to higher administrative and other expenses recorded in the preceding quarter, attributable to the following factors:

- (i) Increased staff cost as a result of accrual made for employees' bonuses; and
- (ii) Accrual made for property taxes applicable on the Group's new production centre.



### B3. OUTLOOK AND PROSPECTS

The future prospect of the China's sportswear industry remains promising, considering the following favourable factors:

- Favourable Chinese Government's policies in curbing inflation, expanding domestic demand and accelerating the development of the sports industry;
- Growing popularity of sports in China and rising awareness for healthy lifestyle;
- Increasing per capita disposable income of the urban residents; and
- Huge and growing populations in China

Looking ahead, our Group is cautiously optimistic that the China's sportswear industry will gradually recover and stabilise and slowly regain the growth momentum in the medium and long term.

For the near term, our Group will continue to adopt a prudent business approach to minimise the risk exposure and will utilise the resources effectively to stay vigilant and responsive to the changing market conditions to ensure the long term sustainable development of the Group's operations.

Product innovation, stringent quality control and brand awareness will continue to be core areas which our Group will build on, in order to sustain our competitiveness against other industry players. "Value-for-money" will be the fundamental principle driving our Group's new product development, in order to accommodate to the customers' expectation.

### B4. Profit Forecast

Not applicable as no profit forecast was previously published.

### B5. INCOME TAX EXPENSE

Taxation comprises the following:-

	<b>Quarter and Year to date ended 31.3.2015 RMB'000</b>	<b>Quarter and Year to date ended 31.3.2014 RMB'000</b>
Income tax expense	1,810	6,502
Effective tax rate	31.0%	31.8%

Income tax expense reduced from RMB6.5 million in Quarter 1, 2014 to RMB1.8 million in the current quarter under review, representing a decrease of 72.2%. The decrease was in tandem with the lower profit for 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.



## B5. INCOME TAX EXPENSE (cont'd)

During the current quarter under review, the effective tax rate stood at 31.0%, higher than the prevailing statutory tax rate of 25% in the PRC primarily due to:

- (i) 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;
- (ii) Certain non-allowable expenses added back for the tax computation;
- (iii) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries

## B6. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS

### Private placement and rights issue of warrants in 2012

The status of utilisation, as of 31 March 2015 is as follows:

(In RM)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i)	Purchase machinery and equipment for new design and production centre	Before December 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)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i)	Purchase machinery and equipment for new design and production centre	Before December 2015	53,670	30,234	23,436	43.8	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	31,341	23,436		

N1 The fund raised have been earmarked for the acquisition of eight (8) new advance production lines for the new design and production centre. To-date, two (2) new production lines have been acquired and installed. The deposit of the remaining six (6) new production lines has 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 half of 2015.



## B6. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS (cont'd)

### Rights Issue in 2014

The status of utilisation, as of 31 March 2015 is as follows:

<b>(In RM)</b>			<b>Proposed</b>	<b>Actual</b>	<b>Deviation</b>		
	<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Utilisation RM'000</b>	<b>Utilisation RM'000</b>	<b>Amount RM'000</b>	<b>%</b>	
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		

<b>(In RMB)</b>			<b>Proposed</b>	<b>Actual</b>	<b>Deviation</b>		
	<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Utilisation RMB'000</b>	<b>Utilisation RMB'000</b>	<b>Amount RMB'000</b>	<b>%</b>	
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		

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

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 2015, the Group's outstanding borrowings liabilities are as follows:-

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

## 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:-

	<b>Current quarter ended</b>		<b>Year to date ended</b>	
	<b>31.3.2015</b>	<b>31.3.2014</b>	<b>31.3.2015</b>	<b>31.3.2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	<u>4,033</u>	<u>13,929</u>	<u>4,033</u>	<u>13,929</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,149,497</u>	<u>1,076,897</u>	<u>1,149,497</u>	<u>1,076,897</u>
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	<u>0.35</u>	<u>1.29</u>	<u>0.35</u>	<u>1.29</u>



## B9. EARNINGS PER SHARE (cont'd)

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

As of 31 March 2015, 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 2015 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 March 2015 are analysed as follows:

	<b>As at 31.3.2015 RMB'000</b>
The retained earnings of the Company and its subsidiaries:	
- Realised	620,673
- Unrealised	(253)
	<hr/> 620,420
Add: Consolidation adjustments	(42,427)
	<hr/> 577,993
Total Group retained earnings as per consolidated financial statements	<hr/> <hr/> 577,993

## 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:

	<b>Quarter and Year to date ended 31.3.2015 RMB'000</b>
Interest income	508
Interest expense	(137)
Depreciation and amortisation expenses	(3,776)
Exceptional items	N/A
Foreign exchange gain/ (loss)	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 RM0.6064 at 31 March 2015. 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 31.3.2015 <sup>(1)</sup> RM'000	Quarter ended 31.3.2014 RM'000	Year to date ended 31.3.2015 <sup>(1)</sup> RM'000	Year to date ended 31.3.2014 RM'000
Revenue	62,181	73,830	62,181	73,830
Cost of Sales	(48,703)	(55,077)	(48,703)	(55,077)
Gross Profit ("GP")	13,478	18,753	13,478	18,753
Other Income	308	269	308	269
Distribution Costs	(99)	(101)	(99)	(101)
Administrative and Other Expenses	(10,060)	(6,438)	(10,060)	(6,438)
Finance Costs	(83)	(94)	(83)	(94)
<b>Profit before Tax ("PBT")</b>	<b>3,544</b>	<b>12,389</b>	<b>3,544</b>	<b>12,389</b>
Tax Expense	(1,098)	(3,943)	(1,098)	(3,943)
<b>Profit For The Period ("PAT")</b>	<b>2,446</b>	<b>8,446</b>	<b>2,446</b>	<b>8,446</b>
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,446</b>	<b>8,446</b>	<b>2,446</b>	<b>8,446</b>
<b>Profit attributable to:</b>				
Equity holders of the parent	2,446	8,446	2,446	8,446
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	2,446	8,446	2,446	8,446
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.21	0.78	0.21	0.78
- Diluted (sen)	*	*	*	*



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

	As at 31.3.2015 <sup>(1)</sup> RM'000	As at 31.12.2014 RM'000 (audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	350,251	352,349
Land use rights	31,074	31,258
	381,325	383,607
<b>Current Assets</b>		
Inventories	8,358	6,726
Trade and other receivables (Note @)	72,034	83,995
Cash and cash equivalents	324,980	314,063
	405,372	404,784
<b>TOTAL ASSETS</b>	<b>786,697</b>	<b>788,391</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	127,200	424,000
Reserves	593,744	294,498
<b>TOTAL EQUITY</b>	720,944	718,498
<b>Non-current Liabilities</b>		
Deferred tax liabilities	11,660	11,530
<b>Current Liabilities</b>		
Trade and other payables (Note #)	47,785	51,332
Bank borrowings	6,064	6,064
Current tax liabilities	244	967
	54,093	58,363
<b>TOTAL LIABILITIES</b>	65,753	69,893
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>786,697</b>	<b>788,391</b>
<b>Net assets per share (RM)<sup>(2)</sup></b>	0.62	0.64





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

Quarter and year to date ended 31 March 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	296,093	-	15,251	17,866	(124,255)	(10,688)	(1)	401,355	595,621
Effects on conversion of functional currency	(27,437)	-	(1,719)	-	-	30,956	-	(1,786)	14
Issue of new shares pursuant to the right issues exercise	88,768	4,043	-	-	-	-	-	-	92,811
Bonus issue	66,576	(4,043)	-	-	-	-	-	(62,533)	-
Free warrants pursuant to the right issues exercise	-	-	15,384	-	-	-	-	(15,384)	-
Transfer to statutory surplus reserve	-	-	-	1,038	-	-	-	(1,038)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	8,446	8,446
At 31 March 2014	424,000	-	28,916	18,904	(124,255)	20,268	(1)	329,060	696,892



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

Quarter and year to date ended 31 March 2015 <sup>(1)</sup>	Share Capital RM'000	Capital Reserve RM'000	←----- Non-distributable ----->				Exchange Translation Reserve RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
			Warrant Reserve RM'000	Statutory Surplus Reserve RM'000	Merger Deficit RM'000					
At 1 January 2015	424,000	-	28,917	21,245	(124,255)	20,254	(1)	348,338	718,498	
Surplus arising from par value reduction	(296,800)	296,800	-	-	-	-	-	-	-	
Transfer to statutory surplus reserve	-	-	-	289	-	-	-	(289)	-	
Total comprehensive income for the period	-	-	-	-	-	-	-	2,446	2,446	
At 31 March 2015	127,200	296,800	28,917	21,534	(124,255)	20,254	(1)	350,495	720,944	



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

	Year to date ended	
	31.3.2015 <sup>(1)</sup> RM'000	31.3.2014 RM'000
Profit before tax	3,544	12,389
Adjustments for non-cash flow:-		
Non-cash items	2,289	2,213
Non-operating items	(225)	(175)
Operating profit before working capital changes	5,608	14,427
Changes in working capital		
Net change in current assets	10,328	35,702
Net change in current liabilities	(3,547)	(23,586)
Cash generated from operating activities	12,389	26,543
Income tax paid	(1,690)	(5,315)
Net cash generated from operating activities	10,699	21,228
Investing activities		
Interest received	308	269
Purchase of property, plant and equipment	(7)	(2,630)
Net cash used in investing activities	301	(2,361)
Financing activities		
Proceeds from issuance of shares, net of expenses	-	92,121
Interest paid	(83)	(94)
Net cash generated from financing activities	(83)	92,027
Net change in cash and cash equivalents	10,917	110,894
Cash and cash equivalents at beginning of financial period	314,063	175,779
Effect of changes in exchange rate	-	(14)
Cash and cash equivalents at end of financial period	324,980	286,659
Cash and cash equivalents at end of financial period		
Cash and bank balances	324,980	286,659
Deposits placed with financial institutions	-	-
	324,980	286,659
Less: Deposits pledged to financial institutions	-	-
	324,980	286,659