



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2015 ⁽¹⁾ RMB'000	Quarter ended 30.6.2014 RMB'000	Year to date ended 30.6.2015 ⁽¹⁾ RMB'000	Year to date ended 30.6.2014 RMB'000
Revenue	155,046	141,301	257,588	263,052
Cost of Sales	(126,026)	(106,383)	(206,342)	(197,209)
Gross Profit ("GP")	29,020	34,918	51,246	65,843
Other Income	528	481	1,036	924
Distribution Costs	(215)	(209)	(379)	(375)
Administrative and Other Expenses	(27,909)	(13,604)	(44,499)	(24,220)
Finance Costs	(145)	(156)	(282)	(311)
Profit before Tax ("PBT")	1,279	21,430	7,122	41,861
Tax Expense	(788)	(6,451)	(2,598)	(12,953)
Profit For The Period ("PAT")	491	14,979	4,524	28,908
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	491	14,979	4,524	28,908
Profit attributable to:				
Equity holders of the parent	491	14,979	4,524	28,908
Total Comprehensive Income attributable to:				
Equity holders of the parent	491	14,979	4,524	28,908
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	0.04	1.30	0.39	2.60
- 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)**

	As at 30.6.2015 ⁽¹⁾ RMB'000	As at 31.12.2014 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	574,118	581,051
Land use rights	50,938	51,547
	625,056	632,598
Current Assets		
Inventories	12,842	11,091
Trade and other receivables (Note @)	187,461	138,514
Cash and cash equivalents	559,364	517,914
Tax recoverable	494	-
	760,161	667,519
TOTAL ASSETS	1,385,217	1,300,117
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	241,871	699,209
Reserves	990,317	485,650
TOTAL EQUITY	1,232,188	1,184,859
Non-current Liabilities		
Deferred tax liabilities	19,317	19,014
Current Liabilities		
Trade and other payables (Note #)	123,712	84,650
Bank borrowings	10,000	10,000
Current tax liabilities	-	1,594
	133,712	96,244
TOTAL LIABILITIES	153,029	115,258
TOTAL EQUITY AND LIABILITIES	1,385,217	1,300,117
Net assets per share (RMB)⁽²⁾	1.06	1.05

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 30 June 2014	Share Capital RMB'000	Share Premium RMB'000	←----- Non-distributable ----->				Treasury Shares RMB'000	Distributable Retained Earnings RMB'000	Total Equity RMB'000
			Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve 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



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

Quarter and year to date ended 30 June 2015 ⁽¹⁾	Share Capital RMB'000	Share Premium RMB'000	ESOS Reserve RMB'000	Capital Reserve RMB'000	←----- Non-distributable -----→					Distributable Retained Earnings RMB'000	Total Equity RMB'000
					Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares 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	-	-	-	-	-	-	-
Granting of employees' share option scheme (ESOS)	-	-	9,856	-	-	-	-	-	-	-	9,856
Issuance of shares pursuant to:											
- Exercise of ESOS	32,108	10,697	(9,856)	-	-	-	-	-	-	-	32,949
- Exercise of warrants	*	*		-	*	-	-	-	-	-	*
Reversal of warrants reserve upon expiry of the exercise rights of Warrants 2012/2015	-	-	-	-	(23,710)	-	-	-	-	23,710	-
Transfer to statutory surplus reserve	-	-	-	-	-	808	-	-	-	(808)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	4,524	4,524
At 30 June 2015	241,871	10,697	-	489,446	23,975	35,842	(204,906)	33,401	(1)	601,863	1,232,188

Notes:

(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.

* Less than RMB1,000



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Year to date ended	
	30.6.2015 ⁽¹⁾ RMB'000	30.6.2014 RMB'000
Profit before tax	7,122	41,861
Adjustments for non-cash flow:-		
Non-cash items	17,409	7,392
Non-operating items	(755)	(613)
Operating profit before working capital changes	23,776	48,640
Changes in working capital		
Net change in current assets	(50,699)	41,478
Net change in current liabilities	39,063	(21,453)
Cash generated from operating activities	12,140	68,665
Income tax paid	(4,383)	(14,497)
Net cash generated from operating activities	7,757	54,168
Investing activities		
Interest received	1,037	924
Purchase of property, plant and equipment	(11)	(5,077)
Net cash used in investing activities	1,026	(4,153)
Financing activities		
Proceeds from issuance of shares pursuant to exercise of ESOS	32,949	153,053
Interest paid	(282)	(311)
Net cash generated from financing activities	32,667	152,742
Net change in cash and cash equivalents	41,450	202,757
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	559,364	492,653
Cash and cash equivalents at end of financial period		
Cash and bank balances	559,364	492,653
Deposits placed with financial institutions	-	-
	559,364	492,653
Less: Deposits pledged to financial institutions	-	-
	559,364	492,653

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

Save for employee benefits charged to profit or loss in respect of the employees' share option scheme granted during the current quarter under review as disclosed under Note A6(iii), there were no other unusual or irregular 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 30 June 2015

- *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 during the current quarter ended 30 June 2015 but completed subsequent to the period end

- *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**").

The Proposed Bonus Issue of Warrants was subsequently approved by the shareholders of the Company at a Special General Meeting held on 17 June 2015, with the entitlement date fixed on 1 July 2015. The Proposed Bonus Issue of Warrants was completed on 9 July 2015, following the listing of and quotation for 440,639,689 Warrants on the Main Market of Bursa Securities ("**Warrants 2015 / 2018**").



A6. DEBTS AND EQUITY SECURITIES (cont'd)

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

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

▪ *Bonus Issue of Shares*

On 7 August 2015, the Company announced to undertake a bonus issue of up to 1,969,858,013 new Shares (“Bonus Shares”) on the basis of one (1) Bonus Share for every one (1) existing Share held by entitled shareholders of the Company on an entitlement date to be determined by the Board of Directors at a later date (“**Proposed Bonus Issue of Shares**”). To-date, the Proposed Bonus Issue of Shares is pending the approval of Bursa Securities and the shareholders’ approval at a Special General Meeting to be convened at a later date.

- (ii) Conversion of existing warrants

During the current quarter ended 30 June 2015

▪ *Warrants 2012 / 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 during the current quarter under review.

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.

Subsequent to period ended 30 June 2015

▪ *Warrants 2015 / 2018*

1,333 existing warrants of the Company (“Warrants 2015 / 2018”) have been exercised and converted into 1,333 new Shares in the Company at an exercise price of RM0.115 subsequent to the period end, listing date on 5 August 2015.



A6. DEBTS AND EQUITY SECURITIES (cont'd)

(iii) Exercise of ESOS

During the current quarter ended 30 June 2015

During the current quarter under review, 172,424,000 units of ESOS were granted to eligible employees of the Group. Accordingly, employee benefits associated with the grant of ESOS of RMB9,856,193 were charged to profit or loss in accordance with the requirements of MFRS 2 *Share-based Payment*.

The entire 172,424,000 units of ESOS were exercised during the current quarter under review, resulting in 172,424,000 units of new Shares being issued at the price of RM0.115 per share with the listing date on 12 June 2015. Total proceeds raised from the exercise of ESOS amounted to RMB32,949,086.

Subsequent to period ended 30 June 2015

Subsequent to the period end, on 28 July 2015, 25,800,000 units of ESOS were granted to eligible employees of the Group.

The entire 25,800,000 units of ESOS were exercised subsequent to the period end, resulting in 25,800,000 units of new Shares being issued at the price of RM0.145 per share with the listing date on 12 August 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:

	Own branding manufacturer RMB'000	Original equipment manufacturer ("OEM") RMB'000	Total RMB'000
Quarter ended 30 June 2015			
Revenue	116,231	38,815	155,046
Interest income	516	12	528
Finance Cost	(145)	*	(145)
Net finance income/(expense)	371	12	383
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

* Less than RMB1,000

	Own branding manufacturer RMB'000	Original equipment manufacturer ("OEM") RMB'000	Total RMB'000
Year to date ended 30 June 2015			
Revenue	194,286	63,302	257,588
Interest income	1,013	23	1,036
Finance Cost	(281)	(1)	(282)
Net finance income/(expense)	732	22	754
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



A8. SEGMENT INFORMATION (cont'd)

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 30.6.2015 RMB'000	Quarter ended 30.6.2014 RMB'000	Year to date ended 30.6.2015 RMB'000	Year to date ended 30.6.2014 RMB'000
Sports shoes	120,523	97,927	197,073	174,295
Sports apparels, accessories and equipment	34,523	43,374	60,515	88,757
	<u>155,046</u>	<u>141,301</u>	<u>257,588</u>	<u>263,052</u>

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

	Quarter ended 30.6.2015 RMB'000	Quarter ended 30.6.2014 RMB'000	Year to date ended 30.6.2015 RMB'000	Year to date ended 30.6.2014 RMB'000
Within the PRC:				
- Eastern region	8,527	7,516	13,475	12,666
- Southern region	73,279	68,196	121,241	128,447
- Western region	40,475	36,295	67,235	67,093
- Northern region	32,765	29,294	55,637	54,846
	<u>155,046</u>	<u>141,301</u>	<u>257,588</u>	<u>263,052</u>



A9. SUBSEQUENT MATERIAL EVENTS

Save as disclosed below, there are no other material events subsequent to the end of the current quarter that have not been reflected in this interim financial report:

- (i) Proposed Bonus Issue of Shares as disclosed under Note A6(i);
- (ii) Conversion of Warrants 2015 / 2018 as disclosed under Note A6(ii);
- (iii) Granting and Exercise of ESOS as disclosed under Note A6(iii); and
- (iv) The Company had, on 29 July 2015, entered into a Heads of Agreement (“HOA”) with Jinjiang Yangsen Garments Co., Ltd. (“YangSen”) for the proposed acquisition of the entire existing business and undertakings of YangSen including all of its assets and certain agreed liabilities (“Proposed Acquisition of YangSen”). Relevant details have been announced to Bursa Securities on 29 July 2015, 31 July 2015 and 3 August 2015 accordingly.

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 2015 is as follows:

	As at 30.6.2015 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>43,524</u>

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Quarter ended 30.6.2015 RMB'000	Quarter ended 30.6.2014 RMB'000	Year to date ended 30.6.2015 RMB'000	Year to date ended 30.6.2014 RMB'000
Rental paid to related parties	-	402	268	804

These transactions have been entered into in the ordinary course of business and established under negotiated commercial terms, which are not more favourable to the related parties than those available to unrelated external parties. The abovementioned related party transactions have ceased with effect from 1 March 2015.



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

B1. ANALYSIS OF PERFORMANCE

Revenue & Gross Profit

Our Group recorded commendable performance for the current quarter and financial period under review, with revenue stood at approximately RMB155.0 million (Q2, 2014: RMB141.3 million) and RMB257.6 million (6 months, 2014: RMB263.1 million) respectively.

The decrease in revenue for the financial period under review, as compared to the corresponding period in the preceding year, was primarily due to lower volume sold for own-branding apparel and accessories. Total volume sold for own-branding apparels and accessories stood at 0.8 million pieces (Q2, 2014: 0.9 million pieces) and 1.2 million pieces (6 months, 2014: 1.5 million pieces) respectively for the current quarter and financial period under review.

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, and accessories.

Gross profit of the Group stood at RMB29.0 million (Q2, 2014: RMB34.9 million) and RMB51.2 million (6 months, 2014: RMB65.8 million) respectively for the current quarter and financial period ended 30 June 2015, in line with the revenue trend.

Profit Level

Our Group continued the profitability trend during the current quarter under review, with profit before tax (PBT) reported at approximately RMB1.3 million (Q2, 2014: RMB21.4 million) and RMB7.1 million (6 months, 2014: RMB41.9 million) respectively for the current quarter and financial period ended 30 June 2015.

Net profit after tax (PAT) stood at approximately RMB0.5 million (Q2, 2014: RMB15.0 million) and RMB4.5 million (6 months, 2014: RMB28.9 million) respectively for the current quarter and financial period ended 30 June 2015.

The lower PBT and PAT recorded for the current quarter and financial period 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:
 - Higher advertisement costs incurred during the current quarter and financial period 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; and
 - One-off employees' benefit expenses of approximately RMB9.9 million in respect of ESOS granted to the eligible employees during the current quarter under review.



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 30 June 2015 RMB'000	Preceding quarter ended 31 March 2015 RMB'000
Revenue	155,046	102,542
Profit before taxation ("PBT")	1,279	5,843

The Group recorded total revenue of RMB155.0 million for the current quarter ended 30 June 2015, representing an increase of RMB52.5 million or 51.2% as compared to revenue of RMB102.5 million in the preceding quarter ended 31 March 2015. The improved revenue for the current quarter under review was backed by the higher sales achieved from both the own-branding segment and the OEM segment, as the market activities and orders resume to a higher level after the Chinese New Year festive holiday in the preceding quarter ended 31 March 2015 and in conjunction with the change in season (spring to summer).

PBT for the current quarter under review of RMB1.3 million was, however, lower by approximately 78.1% as compared to the preceding quarter ended 31 March 2015. This was primarily due to the one-off employees' benefit expenses of approximately RMB9.9 million in respect of ESOS granted loss during the current quarter under review being charged in full to profit or loss.



B3. OUTLOOK AND PROSPECTS

The Group is cautiously optimistic that the economic growth and the outlook of the consumer goods/ domestic retail sector in China will remain positive for the foreseeable future. The growth in the per capita disposable income of both urban and rural households indicates a potential growth in the average sales of sports shoes and consumer goods per capita. These factors signify a robust growth opportunity for the Group, multiplying the effect of huge population in China, which implies a considerable domestic consumer market in China.

In May 2015, the Group installed two (2) new production lines, which increased its production capacity from approximately 5.0 million pairs per annum to 6.6 million pairs per annum, in order to step-up the efforts to secure larger OEM contracts with established global brands, thereby creating additional stable income stream for the Group. Currently, some of the OEM contracts that the Group has secured are for brand names like Zara, Brooks, Fila, Skechers, amongst others. The increased production capacity will also allow the Group to capitalise on the future growth in product demand under the Group's own-branding.

Barring any unforeseen circumstances, the Group expects to complete the installation of another four (4) production lines by the second half of 2015. This is expected to increase the Group's production efficiency and reduce labour costs. The increased production capacity also provides the Group with greater production efficiency in terms of shorter lead time, thereby allowing a lower inventory level to be maintained by distributors and retailers. This mitigates the risk of excessive and slow-moving inventory at the retail level.

In addition, the Group expects the financial performance for financial year ending 31 December 2015 to be robust, notwithstanding the moderation experienced by the Group in the past few years. The Group has managed, and expects, to secure more OEM orders in the current financial year particularly from China-based import/ export trading companies which cater for export markets. This is in line with the gradual recovery of the overseas markets.

B4. Profit Forecast

Not applicable as no profit forecast was previously published.



B5. INCOME TAX EXPENSE

Taxation comprises the following:-

	Quarter ended 30.6.2015 RMB'000	Quarter ended 30.6.2014 RMB'000	Year to date ended 30.6.2015 RMB'000	Year to date ended 30.6.2014 RMB'000
Income tax expense	788	6,451	2,598	12,953
Effective tax rate	61.6%	30.1%	36.5%	30.9%

In line with the lower profit reported during the current quarter and financial period ended 30 June 2015, income tax expense reduced by approximately 87.8% and 79.9% respectively for the current quarter and financial period under review, stood at RMB0.8 million (Q2, 2014: RMB6.5 million) and RMB2.6 million (6 months, 2014: RMB13.0 million) respectively.

The effective tax rate of the Group stood at 61.6% and 36.5% for the current quarter and financial period ended 30 June 2015 respectively, higher than the statutory tax rate of 25% applicable within the PRC. This was 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; and
- (iii) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries.

The impact of non-availability of Group's relief for tax losses on the overall effective tax rate was particularly prominent for the current quarter under review, as the profit contribution from the Group's principal operating subsidiary, HongPeng (Fujian) Shoes & Garments Co., Ltd. ("HP Fujian") was affected by the one-off employees' benefit expenses in respect of ESOS granted to HP Fujian's employees during the current quarter under review.

B6. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS

Private placement and rights issue of warrants in 2012

The status of utilisation, as of 30 June 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 30 June 2015 is as follows:

(In RM)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	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)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	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		

N2 *The proposed building plan for the construction of the second stage of new design and production centre has been submitted to the relevant authorities in China and is still under their assessment. The Management has been following up with the relevant authorities on a regular basis on this matter. The utilisation for the abovementioned amount is expected to be within three (3) years from the commencement of Stage 2 Construction. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.*



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

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

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	
	30.6.2015 RMB'000	30.6.2014 RMB'000	30.6.2015 RMB'000	30.6.2014 RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	<u>491</u>	<u>14,979</u>	<u>4,524</u>	<u>28,908</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,185,498</u>	<u>1,149,497</u>	<u>1,167,597</u>	<u>1,113,398</u>
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	<u>0.04</u>	<u>1.30</u>	<u>0.39</u>	<u>2.60</u>



B9. EARNINGS PER SHARE (cont'd)

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

As of 30 June 2015, the Group has 181,499,212 Warrant 2014 / 2017 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 the current quarter ended 30 June 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 30 June 2015 are analysed as follows:

	As at 30.6.2015 RMB'000	As at 31.12.2014 RMB'000
The retained earnings of the Company and its subsidiaries:		
- Realised	644,633	616,903
- Unrealised	(254)	(253)
	<hr/> 644,379	<hr/> 616,650
Add: Consolidation adjustments	(42,516)	(42,213)
	<hr/> <hr/> 601,863	<hr/> <hr/> 574,437
Total Group retained earnings as per consolidated financial statements		

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 30.6.2015 RMB'000	Year to date ended 30.6.2015 RMB'000
Interest income	529	1,037
Interest expense	(145)	(282)
Depreciation and amortisation expenses	(3,777)	(7,553)
Exceptional items		
- Employees' benefits expenses in respect of the ESOS granted	(9,856)	(9,856)
Foreign exchange gain/ (loss)	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
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

"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 RM0.6085 at 30 June 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 30.6.2015 RM'000	Quarter ended 30.6.2014 RM'000	Year to date ended 30.6.2015 RM'000	Year to date ended 30.6.2014 RM'000
Revenue	94,345	85,982	156,742	160,067
Cost of Sales	<u>(76,687)</u>	<u>(64,734)</u>	<u>(125,559)</u>	<u>(120,002)</u>
Gross Profit ("GP")	17,658	21,248	31,183	40,065
Other Income	321	293	630	562
Distribution Costs	(141)	(127)	(231)	(228)
Administrative and Other Expenses	(16,983)	(8,278)	(27,078)	(14,738)
Finance Costs	<u>(88)</u>	<u>(95)</u>	<u>(172)</u>	<u>(189)</u>
Profit before Tax ("PBT")	777	13,041	4,332	25,472
Tax Expense	<u>(479)</u>	<u>(3,925)</u>	<u>(1,581)</u>	<u>(7,882)</u>
Profit For The Period ("PAT")	<u>298</u>	<u>9,116</u>	<u>2,751</u>	<u>17,590</u>
Other Comprehensive Income:				
Foreign currency translations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>298</u>	<u>9,116</u>	<u>2,751</u>	<u>17,590</u>
Profit attributable to:				
Equity holders of the parent	<u>298</u>	<u>9,116</u>	<u>2,751</u>	<u>17,590</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>298</u>	<u>9,116</u>	<u>2,751</u>	<u>17,590</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.02	0.79	0.24	1.58
- Diluted (sen)	*	*	*	*



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

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	349,351	353,570
Land use rights	30,996	31,366
	380,347	384,936
Current Assets		
Inventories	7,814	6,749
Trade and other receivables	114,070	84,286
Cash and cash equivalents	340,373	315,151
Tax recoverable	301	-
	462,558	406,186
TOTAL ASSETS	842,905	791,122
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	147,179	425,469
Reserves	602,607	295,518
TOTAL EQUITY	749,786	720,987
Non-current Liabilities		
Deferred tax liabilities	11,754	11,570
Current Liabilities		
Trade and other payables	75,280	51,510
Bank borrowings	6,085	6,085
Current tax liabilities	-	970
	81,365	58,565
TOTAL LIABILITIES	93,119	70,135
TOTAL EQUITY AND LIABILITIES	842,905	791,122
Net assets per share (RM)	0.65	0.64



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

Quarter and year to date ended 30 June 2014	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Non-distributable			Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
				Statutory Surplus Reserve RM'000	Merger Deficit RM'000	Exchange Translation Reserve RM'000			
At 1 January 2014	297,119	-	15,304	17,928	(124,685)	(10,725)	(1)	402,745	597,685
Effects on conversion of functional currency	(27,532)	-	(1,725)	-	-	31,064	-	(1,792)	15
Issue of new shares pursuant to the right issues exercise	89,075	4,057	-	-	-	-	-	-	93,132
Bonus issue	66,807	(4,057)	-	-	-	-	-	(62,750)	-
Free warrants pursuant to the right issues exercise	-	-	15,437	-	-	-	-	(15,437)	-
Transfer to statutory surplus reserve	-	-	-	2,079	-	-	-	(2,079)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	17,590	17,590
At 30 June 2014	425,469	-	29,016	20,007	(124,685)	20,339	(1)	338,277	708,422



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

Quarter and year to date ended 30 June 2015	Share Capital RMB'000	Share Premium RMB'000	ESOS Reserve RMB'000	Capital Reserve RMB'000	←----- Non-distributable ----->				Distributable		Total Equity 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	425,469	-	-	-	29,016	21,318	(124,685)	20,325	(1)	349,545	720,987
Surplus arising from par value reduction	(297,828)	-	-	297,828	-	-	-	-	-	-	-
Granting of employees' share option scheme (ESOS)	-	-	5,997	-	-	-	-	-	-	-	5,997
Issuance of shares pursuant to:											
- Exercise of ESOS	19,538	6,510	(5,997)	-	-	-	-	-	-	-	20,051
- Exercise of warrants	*	*		-	*	-	-	-	-	-	*
Reversal of warrants reserve upon expiry of the exercise rights of Warrants 2012/2015	-	-	-	-	(14,428)	-	-	-	-	14,428	-
Transfer to statutory surplus reserve	-	-	-	-	-	492	-	-	-	(492)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	2,751	2,751
At 30 June 2015	147,179	6,510	-	297,828	14,588	21,810	(124,685)	20,325	(1)	366,232	749,786



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

	Year to date ended	
	30.6.2015 RMB'000	30.6.2014 RMB'000
Profit before tax	4,332	25,472
Adjustments for non-cash flow:-		
Non-cash items	10,594	4,498
Non-operating items	(459)	(373)
Operating profit before working capital changes	14,467	29,597
Changes in working capital		
Net change in current assets	(30,850)	25,239
Net change in current liabilities	23,770	(13,054)
Cash generated from operating activities	7,387	41,782
Income tax paid	(2,667)	(8,821)
Net cash generated from operating activities	4,720	32,961
Investing activities		
Interest received	631	562
Purchase of property, plant and equipment	(6)	(3,089)
Net cash used in investing activities	625	(2,527)
Financing activities		
Proceeds from issuance of shares pursuant to exercise of ESOS	20,049	93,132
Interest paid	(172)	(189)
Net cash generated from financing activities	19,877	92,943
Net change in cash and cash equivalents	25,222	123,377
Cash and cash equivalents at beginning of financial period	315,151	176,388
Effect of changes in exchange rate	-	14
Cash and cash equivalents at end of financial period	340,373	299,779
Cash and cash equivalents at end of financial period		
Cash and bank balances	340,373	299,779
Deposits placed with financial institutions	-	-
	340,373	299,779
Less: Deposits pledged to financial institutions	-	-
	340,373	299,779