



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.9.2013 ⁽¹⁾ RMB'000	Quarter ended 30.9.2012 RMB'000	Year to date ended 30.9.2013 ⁽¹⁾ RMB'000	Year to date ended 30.9.2012 RMB'000
Revenue	176,969	266,645	468,001	738,507
Cost of Sales	<u>(133,701)</u>	<u>(184,832)</u>	<u>(343,949)</u>	<u>(507,321)</u>
Gross Profit ("GP")	43,268	81,813	124,052	231,186
Other Income	2,061	304	4,056	966
Selling and Distribution Costs	(3,184)	(10,260)	(12,399)	(29,536)
Administrative and Other Expenses	(8,301)	(6,822)	(20,395)	(19,565)
Finance Costs	<u>(152)</u>	<u>(636)</u>	<u>(423)</u>	<u>(2,121)</u>
Profit before Tax ("PBT")	33,692	64,399	94,891	180,930
Tax Expense	<u>(8,958)</u>	<u>(16,277)</u>	<u>(24,725)</u>	<u>(45,919)</u>
Profit For The Period ("PAT")	<u>24,734</u>	<u>48,122</u>	<u>70,166</u>	<u>135,011</u>
Other Comprehensive Income:				
Foreign currency translations	<u>(891)</u>	<u>(65)</u>	<u>(2,287)</u>	<u>(456)</u>
Other Comprehensive Income, net of tax	<u>(891)</u>	<u>(65)</u>	<u>(2,287)</u>	<u>(456)</u>
Total Comprehensive Income	<u>23,843</u>	<u>48,057</u>	<u>67,879</u>	<u>134,555</u>
Profit attributable to:				
Equity holders of the parent	<u>24,734</u>	<u>48,122</u>	<u>70,166</u>	<u>135,011</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>23,843</u>	<u>48,057</u>	<u>67,879</u>	<u>134,555</u>
Earnings per share attributable to equity holders of the parent				
- Basic (RMB cent)	3.41	6.63	9.66	18.93
- 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 2012 and the accompanying explanatory notes attached to this interim financial report.



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

	As at 30.9.2013 ⁽¹⁾ RMB'000	As at 31.12.2012 RMB'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	585,511	494,565
Land use rights	53,069	53,982
	638,580	548,547
Current Assets		
Inventories	13,829	22,500
Trade and other receivables (Note #)	204,443	170,295
Tax recoverable	-	-
Cash and cash equivalents	323,459	305,108
	541,731	497,903
TOTAL ASSETS	1,180,311	1,046,450
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	488,281	488,281
Reserves	471,903	414,594
TOTAL EQUITY	960,184	902,875
Non-current Liabilities		
Deferred tax liabilities	31,043	27,443
Current Liabilities		
Trade and other payables (Note @)	165,429	100,536
Bank borrowings	10,000	-
Current tax liabilities	13,655	15,596
	189,084	116,132
TOTAL LIABILITIES	220,127	143,575
TOTAL EQUITY AND LIABILITIES	1,180,311	1,046,450
Net assets per share (RMB)	1.32	1.24

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 2012 and the accompanying explanatory notes attached to this interim financial report.

(#) Average credit terms granted to trade receivables by the Group are ninety (90) days.

(@) Average credit terms granted by trade payables to the Group are ninety (90) days.



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

Quarter and year to date ended 30 September 2012	←----- 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 2012	299,552	58,661	-	24,836	(204,906)	(88)	(1)	506,547	684,601
Issuance of ordinary shares pursuant to private placement, net of related expenses	27,704	8,497	-	-	-	-	-	-	36,201
Bonus issue	161,025	(67,158)	-	-	-	-	-	(93,867)	-
Rights issue of warrants	-	-	25,151	-	-	-	-	-	25,151
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	-	(6,844)	(6,844)
Total comprehensive income for the period	-	-	-	-	-	(456)	-	135,011	134,555
At 30 September 2012	488,281	-	25,151	24,836	(204,906)	(544)	(1)	540,847	873,664



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

Quarter and year to date ended 30 September 2013 ⁽¹⁾	←----- Non-distributable ----->					Distributable		Total Equity RMB'000
	Share Capital RMB'000	Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000	Retained Earnings RMB'000	
At 1 January 2013	488,281	25,151	24,912	(204,906)	(373)	(1)	569,811	902,875
Transfer to statutory surplus reserve	-	-	199	-	-	-	(199)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(3,600)	(3,600)
Dividend declared	-	-	-	-	-	-	(6,970)	(6,970)
Total comprehensive income for the period	-	-	-	-	(2,287)	-	70,166	67,879
At 30 September 2013	488,281	25,151	25,111	(204,906)	(2,660)	(1)	629,208	960,184

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 2012 and the accompanying explanatory notes attached to this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Year to date ended	
	30.9.2013 ⁽¹⁾ RMB'000	30.9.2012 RMB'000
Profit before tax	94,891	180,930
Adjustments for non-cash flow:-		
Non-cash items	7,130	1,424
Non-operating items	(433)	1,156
Operating profit before working capital changes	101,588	183,510
Changes in working capital		
Net change in current assets	(25,427)	(22,052)
Net change in current liabilities	64,983	21,081
Cash generated from operating activities	141,144	182,539
Income tax paid	(26,314)	(53,480)
Net cash generated from operating activities	114,830	129,059
Investing activities		
Interest received	855	965
Purchase of property, plant and equipment	(99,845)	(78,000)
Net cash used in investing activities	(98,990)	(77,035)
Financing activities		
Proceeds from issuance of shares pursuant to private placement	-	36,729
Private placement expenses	-	(528)
Proceeds from right issues of warrants	-	25,151
Dividend paid	(6,970)	
Drawdown of borrowings	10,000	10,500
Repayment of borrowings	-	(31,100)
Interest paid	(422)	(2,121)
Reduction in/(Placement) of deposits pledged to bank	-	(8)
Net cash generated from financing activities	2,608	38,623
Net change in cash and cash equivalents	18,448	90,647
Cash and cash equivalents at beginning of financial period	305,108	231,198
Effect of changes in exchange rate	(97)	(455)
Cash and cash equivalents at end of financial period	323,459	321,390
Cash and cash equivalents at end of financial period		
Cash and bank balances	323,459	321,390
Deposits placed with financial institutions	-	2,114
	323,459	323,504
Less: Deposits pledged to financial institutions	-	(2,114)
	323,459	321,390

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 2012 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

a) Basis of accounting

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements as set out in MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2012 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 2012.

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 financial year ended 31 December 2012, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Government Loans (Amendments to MFRS 1)	
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)	
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)	
Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	
Amendments to MFRSs (Annual Improvements 2009-2011 Cycle)	



A1. Basis of Preparation (cont'd)

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

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 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)

Effective for annual periods commencing on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

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

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2012 was not qualified.

A3. Seasonality or Cyclicity of Operation

Consistent with preceding quarter, our Group's operations are exposed to certain degree of seasonality, inherent in the sportswear industry which is affected by fast-changing fashion trends and consumer's tastes and preferences.

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

It is the Group's practices to organise product launching conferences periodically, in conjunction with the launches of new season's collection of sports shoes and apparels. Authorised distributors and retailers are invited to the conferences during which feedbacks on, and indicative orders for, the new collection of sports shoes and apparels would be gathered. This is common practice within the sportswear industry in China.

A4. Unusual Items

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



A5. Changes in Estimates

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

A6. Debts and Equity Securities

The Company had, on 30 September 2013, proposed to undertake the following:

- (a) Proposed renounceable rights issue of up to 322,665,266 new ordinary shares of USD0.10 each in XDL (“XDL Shares” or “Shares”) (“Rights Shares”) at an issue price of RM0.35 per Rights Issue, together with up to 241,998,950 free detachable warrants in XDL (“Warrants 2013”) 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 on 7 November 2013.

Relevant announcements on the Proposals have been made on 30 September 2013, 3 October 2013 and 8 November 2013.

A7. Dividend paid

The Board of Directors have recommended a single-tier final dividend of 0.50 sen per ordinary share for the financial year ended 31 December 2012, which was duly approved by the members during the Annual General Meeting held on 10 June 2013.

Total final dividend of RM3,629,985 has been paid on 18 July 2013, in respect of financial year ended 31 December 2012.

The Board of Directors did not propose 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.

As the Group's chief operating decision maker, the Group's Chief Executive Officer in this context, relies on internal reports which are similar to those currently disclosed externally, no further segmental analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8.

Sales revenue by region

During the financial period under review, the Group derived all of its revenue from the PRC. In view of the vast geographical areas within the PRC, customers can be stratified on a regional basis within the PRC. The following is an analysis of the Group's sales 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 30.9.2013 RMB'000	Quarter ended 30.9.2012 RMB'000	Year to date ended 30.9.2013 RMB'000	Year to date ended 30.9.2012 RMB'000
Within the PRC:				
- Eastern region	9,592	26,797	28,136	78,255
- Southern region	81,499	104,279	200,205	278,059
- Western region	47,279	72,632	130,060	203,270
- Northern region	38,599	62,937	109,600	178,923
	176,969	266,645	468,001	738,507

Sales revenue by products

	Quarter ended 30.9.2013 RMB'000	Quarter ended 30.9.2012 RMB'000	Year to date ended 30.9.2013 RMB'000	Year to date ended 30.9.2012 RMB'000
Sports shoes	102,127	151,018	270,880	396,230
Sports apparels, accessories and equipment	74,842	115,627	197,121	342,277
	176,969	266,645	468,001	738,507



A9. Subsequent Material Events

There are no material events subsequent to the end of the current quarter that will materially affect the results in the financial period under review as at the date of this report.

A10. Changes in the Composition of the Group

There are no changes in the composition of the Group during the financial period under review.

A11. Changes in Contingent Liabilities

There are no material contingent liabilities as at the date of this report.

A12. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2013 is as follows:

	As at 30.9.2013 RMB'000
Property, plant and equipment	
Contracted but not provided for	-
Approved but not contracted for	<u>55,232</u>

A13. Significant Related Party Transactions

	Quarter ended 30.9.2013 RMB'000	Quarter ended 30.9.2012 RMB'000	Year to date ended 30.9.2013 RMB'000	Year to date ended 30.9.2012 RMB'000
Rental paid to related parties	<u>402</u>	<u>651</u>	<u>1,372</u>	<u>1,952</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 sportswear industry in China is going through a period of consolidation and correction. The industry development in the past few years was burdened by the unfavourable macro-factors including the prolonged uncertainties of the global economy and the moderation of China's economy growth. The increasingly sophisticated consumer demand and prudent spending sentiment has weighed down the market demand. The operating environment is further complicated by the uncertainties in operating costs with rising labour and raw materials costs.

Recognising the uncertainties on the recovery of global economy and the moderation of China's economy growth, our Group had carried out internal market study on the prevailing industry condition giving due consideration to the consumer demand, spending sentiment and the operating risk exposure of the Group. Based on the findings and after discussion with the authorised distributors, our Group has reached consensus with the authorised distributors to implement prudent control on the order level pending recovery of the market demand. Our Group believes that this measure is beneficial to our Group's operations and is more conducive to the industry development.

Consequently, our Group's current quarter and year-to-date revenue reported decrease of 33.6% and 36.6% respectively.

Sales of sports shoes remained the primary revenue source of our Group during the current period under review, accounted for approximately 57.7% (Q3, 2012: 56.6%) and 57.9% (9 months, 2012: 53.7%) of the Group's total revenue for the current quarter and 9 months ended 30 September 2013.

For the current quarter under review, revenue from sports shoes declined by 32.4% to RMB102.1 million. Correspondingly, year-to-date revenue from sports shoes also slowed down by 31.6% to RMB270.9 million. The moderation was primarily volume-driven. Sales volume of 'XiDeLang' brand sports shoes halved as a result of intensified competition within the industry and softer market demand, stood at approximately 0.8 million pairs for the current quarter review (Q3, 2012: 1.4 million pairs) and 2.1 million pairs for 9 months ended 30 September 2013 (9 months, 2012: 3.8 million pairs) respectively.

This was, however, partially mitigated by increased OEM orders secured by the Group during the financial period under review. Sales from OEM orders soared to approximately RMB41.8 million (Q3, 2012: RMB38.0 million) and RMB111.2 million (9 months, 2012: RMB88.4 million) for the current quarter and 9 months ended 30 September 2013 respectively. This was mainly due to strengthening orders from China-based import/export trading companies in line with the gradual recovery of consumer demand in overseas market.



B1. Analysis of Performance (cont'd)

Sales of sports apparel and accessories narrowed from RMB115.6 million to RMB74.8 million during the current quarter under review, decreased by approximately 35.3%. For 9 months ended 30 September 2013, sales of sports apparel and accessories stood at RMB197.1 million, decreased by 42.4% as compared to corresponding period in the preceding year. The moderation was primarily due to decrease in sales volume, where the volume sold narrowed to 1.0 million pieces (Q3, 2012: 1.3 million pieces) and 3.3 million pieces (9 months, 2012: 6.2 million pieces) respectively during current quarter under review and 9 months ended 30 September 2013. High product homogenisation and recent rapid expansion by international fast-fashion brands are among other factors that further weighed down the consumer demand on sports apparel and accessories.

The moderation of sales performance had resulted in lower gross profit recorded for the current quarter and year-to-date ended 30 September 2013. Gross profit for the current quarter and 9 months ended 30 September 2013 stood at approximately RMB43.3 million (Q3, 2012: RMB81.8 million) and RMB124.1 million (9 months, 2012: RMB231.2 million), declined by 47.1% and 46.3% respectively.

Gross profit margin for the current quarter under review narrowed to 24.4% (Q3, 2012: 30.7%), while gross profit margin for year-to-date ended 30 September 2013 narrowed to 26.5% (9 months, 2012: 31.3%). This was mainly due to lower contribution from sports apparel and accessories, which traditionally carried a higher margin as compared to sports shoes as well as increased production cost.

Escalating raw material costs and labour costs remain the risk factors surrounding the sportswear industry as a whole. The Group's management remains vigilant to the industry development to ensure that appropriate actions are taken promptly in response to any adverse fluctuations. The Group is leveraging on its healthy relationship with the raw material suppliers, and pleasant working environments and relationship with its workforce to curb sudden shock of raw material price surge and excessive staff turnover.

Selling and distribution costs

Selling and distribution costs for the current quarter and year-to-date ended 30 September 2013 stood at approximately RMB3.2 million and RMB12.4 million respectively, representing cost-saving of 69.0% and 58.0% respectively as compared to corresponding period in the preceding year.

This was mainly due to lower outlet subsidies granted to authorised distributors and prudent spending on advertising and marketing expenses during the financial period under review, having considered the prevailing uncertainties and challenges encountered by China's sportswear industry.



B1. Analysis of Performance (cont'd)

Administrative and other expenses

Administrative and other expenses for the current quarter under review increased by 21.7% to RMB8.3 million (Q3, 2012: RMB6.8 million), while administrative and other expenses for year-to-date ended 30 September 2013 increased slightly by 4.2%.

The fluctuation in administrative and other expenses is not proportional to the decrease in sales, mainly due to administrative and other expenses are generally 'step-cost' in nature, with a lower degree of correlation to the sales level. The higher administrative and other expenses for the current quarter and year-to-date ended 30 September 2013 was mainly due to additional depreciation expenses incurred following the commencement of the new production centre and headquarter.

Profit level

During the current quarter under review, our Group recorded profit before tax and after tax of RMB33.7 million and RMB24.7 million respectively. This represented a decline of 47.7% and 48.6% respectively, as compared to the corresponding period in the preceding year.

During 9 months ended 30 September 2013, our Group recorded profit before tax and after tax of RMB94.9 million and RMB70.2 million respectively, contracted by approximately 47.6% and 48.0% respectively as compared to 9 months, 2012.

The moderation of profit level was mainly linked to the decline in sales performance during the financial period under review.

The Board remains cautiously optimistic that our Group will be able to maintain a healthy performance in the foreseeable future and withstand the prevailing challenging operating environment.



B2. Variation of Results against Preceding Quarter

	Current quarter ended 30 September 2013 RMB'000	Preceding quarter ended 30 June 2013 RMB'000
Revenue	176,969	154,866
Profit before taxation ("PBT")	<u>33,692</u>	<u>32,795</u>

Revenue for the current quarter ended 30 September 2013 strengthened by 14.3% as compared to the preceding quarter ended 30 June 2013, stood at RMB177.0 million. The improved sales performance during the current quarter under review was mainly backed by higher orders from distributors and retailers in preparation for the festive season (mid-autumn festival and China National Day), as well as seasonal change (spring/summer to autumn/winter).

Backed by improved revenue, our Group's profit before taxation increased from RMB32.8 million to RMB33.7 million during the current quarter under review representing an increase of 2.7%



B3. Prospects

In the near term, it is believed that the sportswear industry in China will continue the consolidation process albeit the issues of excessive inventory and over-expansion of retail outlets are normalising gradually. Industry competition is generally expected to remain intense, complicated by the uncertainties on operating costs as a result of escalation in labour cost and raw material cost as well as aggressive penetration by some international brands.

Although the consumer demand is expected to remain lukewarm in the near future due to the economy uncertainties, our Group expects the sportswear industry in China to recover gradually and resume healthy growth on long run, backed by the China Government's favourable national policies that support sports promotion, urbanisation and rising wages. Established industry players who survive the current period of turbulence are likely to benefit from stronger demand in the long term.

Our Group will continue to build on the following core competencies, so that our Group will be in a better position to tap any future opportunities:

- Efficient production cost control and quality control, to enhance consumer confidence and satisfaction.
- Enhance the production capacity to enable the Group to respond promptly to the changing market trends and consumer demand.
- Product differentiation through continual research and development, to ensure new models with innovative and aesthetic design are launched periodically to cater the fast-changing consumer taste.
- Strengthen 'XiDeLang' brand awareness via integrated and multi-medium advertising and promotion campaigns.
- Effective coordination of the distribution and retail network to ensure resources are allocated efficiently on areas with more promising prospects.



B4. Profit Forecast

Not applicable as no profit forecast was previously published.

B5. Income Tax Expense

	Quarter ended 30.9.2013 RMB'000	Quarter ended 30.9.2012 RMB'000	Year to date ended 30.9.2013 RMB'000	Year to date ended 30.9.2012 RMB'000
Income tax expense	8,958	16,277	24,725	45,919
Effective tax rate	26.6%	25.3%	26.1%	25.4%

In tandem with the moderation of the Group's performance during the financial period under review, income tax expense declined by approximately 45.0% and 46.2% respectively for the current quarter and year-to-date ended 30 September 2013, stood at RMB9.0 million (Q3, 2012: RMB16.3 million) and RMB24.7 million (9 months, 2012: RMB45.9 million) respectively.

The effective tax rate stood at 26.6% and 26.1%, for the current quarter and year to date ended 30 September 2013 respectively, marginally exceeded the statutory tax rate of 25% applicable within the PRC.

The Group's principal operations are concentrated within the PRC. As such, the effective tax rate reported by the Group is positively correlated to the statutory tax rate applicable in the PRC. The marginal deviation between the effective tax rate and the statutory tax rate applicable in the PRC during the current financial year period under review was mainly due to non-availability of Group's relief, where tax losses incurred by some of the entities within the Group were not allowed to be offset against the taxable profits reported by other entities within the Group; as well as certain non-allowable expenses added back for the tax computation.



B6. Status of Corporate Proposals and Utilisation of Proceeds

Status of utilisation up to the latest practicable date is as follows:

	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	Within 18 months	29,100	9,485	19,615	67	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	10,085	19,615		

N1 *The remaining unutilised portions are expected to be applied in subsequent periods within the stipulated timeframe.*

B7. Borrowings

As at 30 September 2013, the Group's outstanding borrowings liabilities are as follows:-

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

All borrowings are arranged in the PRC and denominated in RMB.

B8. Changes in Material Litigation

As at date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.



B9. Earnings per Share

(1) Basic Earnings per Share ("BEPS")

The basic earnings per share ("BEPS") is calculated as follows:-

	Current quarter ended		Year to date ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	24,734	48,122	70,166	135,011
Weighted average number of ordinary shares in issue ('000)	725,998	725,998	725,998	713,255
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	3.41	6.63	9.66	18.93

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

The Group had, on 30 April 2012, completed the rights issue of 241,998,950 warrants 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 average market price of the Company's ordinary shares during the current quarter under review was lower than the warrant exercise price. As such, the issued warrants are not regarded as dilutive and accordingly, no diluted earnings per share is being presented for the current quarter under review.

Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.



B10. Disclosure on realised and unrealised profit/loss

The retained earnings of the Group as at 30 September 2013 are analysed as follows:

	As at 30.9.2013 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	630,177
- Unrealised	2,631
	<hr/> 632,808
Add: Consolidation adjustments	(3,600)
	<hr/>
Total Group retained earnings as per consolidated financial statements	<u>629,208</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 expense / (income) items:

	Quarter ended 30.9.2013 RMB'000	Year to date ended 30.9.2013 RMB'000
Interest income	(295)	(855)
Interest expense	151	422
Depreciation and amortisation expenses	5,437	9,195
Foreign exchange gain	(1,196)	(2,631)
Loss on disposal of property, plant and equipment	409	409
Provision for and write off of inventories	157	157
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 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 RM0.5324 at 30 September 2013. 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 30.9.2013 ⁽¹⁾ RM'000	Quarter ended 30.9.2012 RM'000	Year to date ended 30.9.2013 ⁽¹⁾ RM'000	Year to date ended 30.9.2012 RM'000
Revenue	94,218	141,962	249,164	393,181
Cost of Sales	<u>(71,182)</u>	<u>(98,405)</u>	<u>(183,118)</u>	<u>(270,098)</u>
Gross Profit ("GP")	23,036	43,557	66,046	123,083
Other Income	1,097	162	2,159	514
Selling and Distribution Costs	(1,695)	(5,462)	(6,601)	(15,725)
Administrative and Other Expenses	(4,419)	(3,632)	(10,858)	(10,416)
Finance Costs	<u>(81)</u>	<u>(339)</u>	<u>(225)</u>	<u>(1,129)</u>
Profit before Tax ("PBT")	17,938	34,286	50,521	96,327
Tax Expense	<u>(4,769)</u>	<u>(8,666)</u>	<u>(13,164)</u>	<u>(24,447)</u>
Profit For The Period ("PAT")	<u>13,169</u>	<u>25,620</u>	<u>37,357</u>	<u>71,880</u>
Other Comprehensive Income:				
Foreign currency translations	<u>(474)</u>	<u>(35)</u>	<u>(1,218)</u>	<u>(243)</u>
Other Comprehensive Income, net of tax	<u>(474)</u>	<u>(35)</u>	<u>(1,218)</u>	<u>(243)</u>
Total Comprehensive Income	<u>12,695</u>	<u>25,585</u>	<u>36,139</u>	<u>71,637</u>
Profit attributable to:				
Equity holders of the parent	<u>13,169</u>	<u>25,620</u>	<u>37,357</u>	<u>71,880</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>12,695</u>	<u>25,585</u>	<u>36,139</u>	<u>71,637</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	1.81	3.53	5.14	10.08
- Diluted (sen)	*	*	*	*

* 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 2012 and the accompanying explanatory notes attached to this interim financial report.



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

	As at 30.9.2013 ⁽¹⁾ RM'000	As at 31.12.2012 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	311,726	263,306
Land use rights	28,254	28,740
	339,980	292,046
Current Assets		
Inventories	7,363	11,979
Trade and other receivables (Note #)	108,845	90,665
Tax recoverable	-	-
Cash and cash equivalents	172,210	162,439
	288,418	265,083
TOTAL ASSETS	628,398	557,129
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	259,961	259,961
Reserves	251,241	220,730
TOTAL EQUITY	511,202	480,691
Non-current Liabilities		
Deferred tax liabilities	16,527	14,610
Current Liabilities		
Trade and other payables (Note @)	88,075	53,525
Bank borrowings	5,324	-
Current tax liabilities	7,270	8,303
	100,669	61,828
TOTAL LIABILITIES	117,196	76,438
TOTAL EQUITY AND LIABILITIES	628,398	557,129
Net assets per share (RM)	0.70	0.66

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 2012 and the accompanying explanatory notes attached to this interim financial report.



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

Quarter and year to date ended 30 September 2012	<----- 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 2012	159,481	31,231	-	13,223	(109,092)	(47)	(1)	269,686	364,481
Issuance of ordinary shares pursuant to private placement, net of related expenses	14,750	4,524	-	-	-	-	-	-	19,274
Bonus issue	85,730	(35,755)	-	-	-	-	-	(49,975)	-
Rights issue of warrants	-	-	13,390	-	-	-	-	-	13,390
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	-	(3,644)	(3,644)
Total comprehensive income for the period	-	-	-	-	-	(243)	-	71,880	71,637
At 30 September 2012	259,961	-	13,390	13,223	(109,092)	(290)	(1)	287,947	465,138



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

Quarter and year to date ended 30 September 2013 ⁽¹⁾	←----- 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	259,961	13,390	13,263	(109,092)	(198)	(1)	303,368	480,691
Transfer to statutory surplus reserve	-	-	106	-	-	-	(106)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(1,917)	(1,917)
Dividend declared	-	-	-	-	-	-	(3,711)	(3,711)
Total comprehensive income for the period	-	-	-	-	(1,218)	-	37,357	36,139
At 30 September 2013	<u>259,961</u>	<u>13,390</u>	<u>13,369</u>	<u>(109,092)</u>	<u>(1,416)</u>	<u>(1)</u>	<u>334,991</u>	<u>511,202</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 2012 and the accompanying explanatory notes attached to this interim financial report.*

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

	Year to date ended	
	30.9.2013 ⁽¹⁾ RM'000	30.9.2012 RM'000
Profit before tax	50,521	96,327
Adjustments for non-cash flow:-		
Non-cash items	3,796	758
Non-operating items	(231)	615
Operating profit before working capital changes	54,086	97,700
Changes in working capital		
Net change in current assets	(13,537)	(11,740)
Net change in current liabilities	34,597	11,224
Cash generated from operating activities	75,146	97,184
Income tax paid	(14,010)	(28,473)
Net cash generated from operating activities	61,136	68,711
Investing activities		
Interest received	455	514
Purchase of property, plant and equipment	(53,157)	(41,527)
Net cash used in investing activities	(52,702)	(41,013)
Financing activities		
Proceeds from issuance of shares pursuant to private placement	-	19,555
Private placement expenses	-	(281)
Proceeds from right issues of warrants	-	13,390
Dividend paid	(3,711)	-
Drawdown of borrowings	5,324	5,590
Repayment of borrowings	-	(16,558)
Interest paid	(225)	(1,129)
Reduction in/(Placement) of deposits pledged to bank	-	(4)
Net cash generated from financing activities	1,388	20,563
Net change in cash and cash equivalents	9,822	48,261
Cash and cash equivalents at beginning of financial period	162,439	123,090
Effect of changes in exchange rate	(51)	(242)
Cash and cash equivalents at end of financial period	172,210	171,109
Cash and cash equivalents at end of financial period		
Cash and bank balances	172,210	171,109
Deposits placed with financial institutions	-	1,125
	172,210	172,234
Less: Deposits pledged to financial institutions	-	(1,125)
	172,210	171,109

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 2012 and the accompanying explanatory notes attached to this interim financial report.*