



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.9.2014 <sup>(1)</sup> RMB'000	Quarter ended 30.9.2013 RMB'000	Year to date ended 30.9.2014 <sup>(1)</sup> RMB'000	Year to date ended 30.9.2013 RMB'000
Revenue	147,369	176,969	410,421	468,001
Cost of Sales	(109,736)	(133,701)	(306,945)	(343,949)
Gross Profit ("GP")	37,633	43,268	103,476	124,052
Other Income	937	2,061	1,861	4,056
Selling and Distribution Costs	(10,687)	(3,184)	(20,264)	(12,399)
Administrative and Other Expenses	(7,586)	(8,301)	(22,604)	(20,395)
Finance Costs	(156)	(152)	(467)	(423)
<b>Profit before Tax ("PBT")</b>	20,141	33,692	62,002	94,891
Tax Expense	(6,116)	(8,958)	(19,069)	(24,725)
<b>Profit For The Period ("PAT")</b>	14,025	24,734	42,933	70,166
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	(891)	-	(2,287)
Other Comprehensive Income, net of tax	-	(891)	-	(2,287)
<b>Total Comprehensive Income</b>	14,025	23,843	42,933	67,879
<b>Profit attributable to:</b>				
Equity holders of the parent	14,025	24,734	42,933	70,166
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	14,025	23,843	42,933	67,879
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (RMB cent)	1.22	2.73	3.81	7.73
- Diluted (RMB cent)	*	*	*	*

\* Refer Note B9 for further details.

Note:

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.



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

	<b>As at 30.9.2014<sup>(1)</sup> RMB'000</b>	<b>As at 31.12.2013 RMB'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	583,605	588,206
Land use rights	51,851	52,764
	635,456	640,970
<b>Current Assets</b>		
Inventories	20,849	10,282
Trade and other receivables (Note #)	170,992	207,164
Cash and cash equivalents	499,298	289,873
	691,139	507,319
<b>TOTAL ASSETS</b>	<b>1,326,595</b>	<b>1,148,289</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	699,209	488,281
Reserves	479,026	493,946
<b>TOTAL EQUITY</b>	1,178,235	982,227
<b>Non-current Liabilities</b>		
Deferred tax liabilities	23,241	20,970
<b>Current Liabilities</b>		
Trade and other payables (Note @)	110,930	127,520
Bank borrowings	10,000	10,000
Current tax liabilities	4,189	7,572
	125,119	145,092
<b>TOTAL LIABILITIES</b>	148,360	166,062
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,326,595</b>	<b>1,148,289</b>
<b>Net assets per share (RMB) <sup>(2)</sup></b>	1.05	1.08

Note:

(1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.

(2) Calculated based on year-to-date weighted average ordinary shares in issue.

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

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



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

Quarter and year to date ended 30 September 2013	←----- Non-distributable ----->					Distributable		Total Equity RMB'000
	Share Capital RMB'000	Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000	Retained Earnings RMB'000	
At 1 January 2013	488,281	25,151	24,912	(204,906)	(373)	(1)	569,811	902,875
Transfer to statutory surplus reserve	-	-	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



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

Quarter and year to date ended 30 September 2014 <sup>(1)</sup>	←----- 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	-	-	-	5,046	-	-	-	(5,046)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	42,933	42,933
At 30 September 2014	<u>699,209</u>	<u>-</u>	<u>47,685</u>	<u>34,509</u>	<u>(204,906)</u>	<u>33,423</u>	<u>(1)</u>	<u>568,316</u>	<u>1,178,235</u>

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.



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

	Year to date ended	
	30.9.2014 <sup>(1)</sup> RMB'000	30.9.2013 RMB'000
Profit before tax	62,002	94,891
Adjustments for non-cash flow:-		
Non-cash items	11,149	7,130
Non-operating items	(945)	(433)
Operating profit before working capital changes	72,206	101,588
Changes in working capital		
Net change in current assets	25,605	(25,427)
Net change in current liabilities	(16,590)	64,983
Cash generated from operating activities	81,221	141,144
Income tax paid	(20,181)	(26,314)
Net cash generated from operating activities	61,040	114,830
Investing activities		
Interest received	1,411	855
Purchase of property, plant and equipment	(5,635)	(99,845)
Net cash used in investing activities	(4,224)	(98,990)
Financing activities		
Proceeds from issuance of shares, net of expenses	153,053	-
Dividend paid	-	(6,970)
Drawdown of borrowings	-	10,000
Interest paid	(466)	(422)
Net cash generated from financing activities	152,587	2,608
Net change in cash and cash equivalents	209,403	18,448
Cash and cash equivalents at beginning of financial period	289,873	305,108
Effect of changes in exchange rate	22	(97)
Cash and cash equivalents at end of financial period	499,298	323,459
Cash and cash equivalents at end of financial period		
Cash and bank balances	499,298	323,459

Note:

- (1) *The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.*



## **A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)**

### **A1. Basis of Preparation**

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements (“MMLR”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report..

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2013, except for the conversion of Company’s functional currency from RM to RMB and the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period as disclosed below.

#### ***Conversion of functional currency***

Our Company has changed its functional currency from RM to RMB from 1 January 2014 prospectively as the Board opined that RMB is the currency that most faithfully represents the economic effects of the Company’s underlying transactions, events and conditions.

#### **Adoption of MFRSs, IC Interpretation and Amendments to MFRSs effective for annual periods commencing on or after 1 January 2014**

- Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
- Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
- IC Interpretation 21 – Levies

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



## A1. Basis of Preparation (cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

### Effective for annual periods commencing on or after 1 July 2014

- Amendment to MFRS 2 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 8 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 13 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 116 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
- Amendment to MFRS 124 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 138 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 140 (Annual Improvements to MFRSs 2011 – 2013 Cycle)

### Effective for annual periods commencing on or after 1 January 2016

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 14 Regulatory Deferral Accounts
- 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)

### Effective for annual periods commencing on or after 1 January 2017

- MFRS 15 Revenue from Contracts with Customers

### Effective date to be announced by MASB

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Mandatory Effective Date of MFRS 9 and Transition Disclosures
- (Amendments to MFRS 9 [IFRS 9 issued by IASB in November 2009], MFRS 9 [IFRS 9 issued by IASB in October 2010] and MFRS 7)
- Financial Instruments
- (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

## A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 December 2013 were not subject to any qualification.





### **A3. Seasonality or Cyclicity of Operation**

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

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

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

### **A4. Unusual Items**

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

### **A5. Changes in Estimates**

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the current financial quarter save for the change in the Company's functional currency as disclosed under Note A1 above.

### **A6. Debts and Equity Securities**

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

- (a) Proposed renounceable rights issue of up to 322,665,266 new ordinary shares of USD0.10 each in XDL ("XDL Shares" or "Shares") ("Rights Shares") at an issue price of RM0.35 per Rights Share, together with up to 241,998,950 free detachable warrants in XDL ("Warrants 2014") and an attached bonus issue of up to 241,998,950 new XDL Shares ("Bonus Shares") to be credited as fully paid-up at par, on the basis of four (4) Rights Shares together with three (3) free Warrants 2013 and three (3) Bonus Shares for every twelve (12) existing XDL Shares held on the entitlement date to be determined by the Board later ("Entitlement Date") ("Proposed Rights Issue"); and
- (b) Proposed amendments to the Bye-laws of the Company to facilitate the Proposed Rights Issue ("Proposed Amendments").

(Collectively referred to as "Proposals")

The Proposals have been approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 7 November 2013, and subsequently approved by the members at the Special General Meeting held on 9 December 2013. On the same day, the Board announced the Entitlement Date to be 23 December 2013.



## A6. Debts and Equity Securities (cont'd)

The Rights Issue has been completed on 27 January 2014, following the listing and quotation of 241,998,950 Rights Shares; 181,499,212 Bonus Shares, 181,499,212 Warrants 2014 and 19,779,602 Additional Warrants 2012 on the Main Market of Bursa Malaysia. Gross proceeds raised from the Rights Issue amounted to RM84.70 million (equivalent to RMB153.05 million).

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

## A7. Dividend Paid or Declared

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

## A8. Segment Information

The Group's chief operating decision maker, the Group's Chief Executive Officer in this context manages the operations within the Group as a whole in single segment and relies on internal reports which are similar to those currently disclosed externally to make decisions about allocation of resources.

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

<b>(Quarter ended)</b>	<b>Own branding manufacturer RMB'000</b>	<b>Original equipment manufacturer RMB'000</b>	<b>Total RMB'000</b>
<b><u>30 September 2014</u></b>			
Revenue	117,985	29,384	147,369
Interest income	468	19	487
Finance Cost	(155)	*	(155)
Net finance income/(expense)	313	19	332
<b><u>30 September 2013</u></b>			
Revenue	135,205	41,764	176,969
Interest income	286	9	295
Finance Cost	(155)	-	(155)
Net finance income/(expense)	131	9	140

\* Less than RMB1,000



**A8. Segment Information (cont'd)**

**(Year-to-date ended)**

	<b>Own branding manufacturer RMB'000</b>	<b>Original equipment manufacturer RMB'000</b>	<b>Total RMB'000</b>
<b><u>30 September 2014</u></b>			
Revenue	307,955	102,466	410,421
Interest income	1,260	56	1,316
Finance Cost	(463)	(1)	(464)
Net finance income/(expense)	797	55	852

**30 September 2013**

Revenue	356,764	111,237	468,001
Interest income	834	21	855
Finance Cost	(422)	-	(422)
Net finance income/(expense)	412	21	433

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

***Revenue by products***

	<b>Quarter ended 30.9.2014 RMB'000</b>	<b>Quarter ended 30.9.2013 RMB'000</b>	<b>Year to date ended 30.9.2014 RMB'000</b>	<b>Year to date ended 30.9.2013 RMB'000</b>
Sports shoes	97,926	102,127	272,221	270,880
Sports apparels, accessories and equipment	49,443	74,842	138,200	197,121
	147,369	176,969	410,421	468,001



## A8. Segment Information (cont'd)

### *Revenue by region*

During the financial period under review, the Group derived all of its revenue from the PRC. In view of the vast geographical areas within the PRC, customers can be stratified on a regional basis within the PRC. The following is an analysis of the Group's revenue by region by location of customers, irrespective of the origin of the goods/services and based on the following regional groupings:

- Eastern region: Jiangsu, Zhejiang, Shandong and Shanghai
- Southern region: Fujian, Guangdong, Hubei, Hunan, Jiangxi and Anhui
- Western region: Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang, Shaanxi
- Northern region: Beijing, Hebei, Henan, Heilongjiang, Liaoning, Shanxi, Jilin and Tianjin

	<b>Quarter ended 30.9.2014 RMB'000</b>	<b>Quarter ended 30.9.2013 RMB'000</b>	<b>Year to date ended 30.9.2014 RMB'000</b>	<b>Year to date ended 30.9.2013 RMB'000</b>
Within the PRC:				
- Eastern region	8,131	9,592	20,797	28,136
- Southern region	63,949	81,499	192,396	200,205
- Western region	41,262	47,279	108,355	130,060
- Northern region	34,027	38,599	88,873	109,600
	147,369	176,969	410,421	468,001

## 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 2014 is as follows:

	<b>As at 30.9.2014 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>44,508</u>

## A13. Significant Related Party Transactions

	<b>Quarter ended 30.9.2014 RMB'000</b>	<b>Quarter ended 30.9.2013 RMB'000</b>	<b>Year to date ended 30.9.2014 RMB'000</b>	<b>Year to date ended 30.9.2013 RMB'000</b>
Rental paid to related parties	<u>402</u>	<u>402</u>	<u>1,206</u>	<u>1,372</u>

These transactions have been entered into in the ordinary course of business and established under negotiated commercial terms, which are not more favourable to the related parties than those available to unrelated external parties.



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

### **B1. Analysis of Performance**

#### Revenue & Gross Profit

The Group's performance remained healthy during the current quarter and financial period under review, with revenue stood at RMB147.4 million and RMB410.4 million respectively, although moderated by approximately 16.7% and 12.3% when compared to the corresponding periods in 2013.

The moderation was primarily due to a lower sales volume achieved for 'XiDeLang' brand sportswear and accessories, which stood at 0.6 million pieces (Q3, 2013: 1.0 million pieces) and 2.1 million pieces (9-months, 2013: 3.3 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 challenges faced by the PRC domestic sportswear brand.

Gross profit for the current quarter and financial period under review remained encouraging, stood at approximately RMB37.6 million and RMB103.5 million respectively although this is lower by approximately 13.0% and 16.6% respectively when compared to the corresponding periods in preceding year.

#### Selling and distribution costs

Selling and distribution costs for the current quarter and year-to-date ended 30 September 2014 stood at approximately RMB10.7 million and RMB20.3 million respectively, higher by approximately 235.6% and 63.4% as compared to the corresponding periods in preceding year.

The increase in selling and distribution costs for the current quarter and financial period under review was primarily due to higher advertising and marketing costs incurred. The higher outlay is necessary and timing in order to boost the brand awareness of 'XiDeLang' brand for long term benefits and to enhance the competitiveness of the Group amid the gradual recovery of demand for sportswear in China.

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



## B1. Analysis of Performance (cont'd)

### Administrative and other expenses

Administrative and other expenses for the current quarter under review has remained relatively consistent with the corresponding period in preceding year, with a slight saving of 8.6% achieved.

Administrative and other expenses for financial period ended 30 September 2014, on the other hand, increased by 10.8% as compared to the corresponding period in preceding year, up from RMB20.4 million to RMB22.6 million.

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

### Profit level

In line with the softened sales performance during the financial period under review, our Group reported a lower but healthy profitability level.

For the current quarter and financial period under review, our Group profit after tax stood at RMB14.0 million and RMB42.9 million respectively representing a decrease of 43.3% and 38.8% when compared to the corresponding periods in the preceding year.

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

## B2. Variation of Results against Preceding Quarter

	<b>Current quarter ended 30 September 2014 RMB'000</b>	<b>Preceding quarter ended 30 June 2014 RMB'000</b>
Revenue	147,369	141,301
Profit before taxation ("PBT")	20,141	21,430

Backed by the strengthening demand for our Group's own-branding products as a result of higher orders received from distributors and retailers in conjunction with the transition of season, revenue for the current quarter improved by RMB6.1 million or 4.3% as compared to the preceding quarter ended 30 June 2014.

Notwithstanding the improved sales, PBT for the current quarter under review has remained relatively consistent as compared to the preceding quarter ended 30 June 2014 with a slight decrease of 6.0% primarily due to increase in advertising costs incurred during the current quarter under review.



### B3. Prospects

Although the outlook of the global economy remains challenging in the near term, the domestic consumption in China remains healthy with the sportswear industry on the path of gradual recovery after prolonged slowdown in the past years due to over-expansion.

Ongoing urbanisation process with rising per capita disposable income, improving awareness of healthy lifestyle and growing popularity of sports in China are amongst the favourable factors contributing towards sustainable and healthy domestic demand for sportswear in the PRC.

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

### B4. Profit Forecast or Profit Guarantee

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

### B5. Income Tax Expense

	<b>Quarter ended 30.9.2014 RMB'000</b>	<b>Quarter ended 30.9.2013 RMB'000</b>	<b>Year to date ended 30.9.2014 RMB'000</b>	<b>Year to date ended 30.9.2013 RMB'000</b>
Income tax expense	6,116	8,958	19,069	24,725
Effective tax rate	30.4%	26.6%	30.8%	26.1%

The effective tax rate of the Group stood at 30.4% and 30.8%, for the current quarter and financial period ended 30 September 2014 respectively, higher than the statutory tax rate of 25% applicable within the PRC. This was mainly due to non-availability of Group's relief, where tax losses incurred by some of the entities within the Group were not allowed to be offset against the taxable profits reported by other entities within the Group, as well as certain non-allowable expenses added for the tax computation.

In line with the moderation in sales, income tax expense recorded for the current quarter and financial period under review was lower as compared to the corresponding periods in the preceding year, reduced by approximately 31.7% and 22.9% respectively.



## B6. Status of Corporate Proposals and Utilisation of Proceeds

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

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

**(In RM)**

Purpose	Intended Timeframe	Proposed	Actual	Deviation		
		Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i) Purchase machinery and equipment for new design and production centre	Before 31 December 2014	29,100	14,144	14,956	51.3	N1
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		29,700	14,744	14,956		

**(In RMB)**

Purpose	Intended Timeframe	Proposed	Actual	Deviation		
		Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Purchase machinery and equipment for new design and production centre	Before 31 December 2014	53,670	26,123	27,547	51.3	N1
ii) Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
		54,777	27,230	27,547		

Remark

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



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

### Rights Issue in 2014

(In RM)

Purpose	Intended Timeframe	Proposed	Actual	Deviation		N2
		Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	83,700	-	83,700	100	
ii) Estimated expenses in relation to the Proposals	Immediate	1,000	1,000	-	-	
		84,700	1,000	83,700		

(In RMB)

Purpose	Intended Timeframe	Proposed	Actual	Deviation		N2
		Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i) Construction of the second stage of the new Design & Production Centre	Within 3 years	151,247	-	151,247	100	
ii) Estimated expenses in relation to the Proposals	Immediate	1,807	1,807	-	-	
		153,054	1,807	151,247		

#### Remark

N2 The remaining unutilised portions are expected to be applied in subsequent periods within the stipulated timeframe.

## B7. Borrowings

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

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

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



## B8. Changes in Material Litigation

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

## B9. Earnings per Share

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

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

	Current quarter ended		Year to date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	14,025	24,734	42,933	70,166
Weighted average number of ordinary shares in issue ('000)	1,149,497	907,498	1,125,563	907,498
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	1.22	2.73	3.81	7.73

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

As of 31 March 2014, the Group has 261,778,552 Warrant 2012 and 181,499,212 Warrant 2014 in issue, which entitles the holders the rights for conversion into one (1) ordinary share for every one (1) warrant at an exercise price of RM0.35 each. This gives rise to potential ordinary shares which, upon conversion, could result in dilution to earnings per share in future financial periods.

In accordance with MFRS 133, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants (i.e. they are 'in the money').

The volume-weighted average market price of the Company's ordinary shares during current quarter under review was lower than the warrant exercise price. As such, the issued warrants are not regarded as dilutive and accordingly, no diluted earnings per share is being presented for the current quarter under review.

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



## B10. Disclosure on realised and unrealised profit/loss

The retained earnings of the Group as at 30 September 2014 are analysed as follows:

	<b>As at 30.9.2014 RMB'000</b>
The retained earnings of the Company and its subsidiaries:	
- Realised	614,755
- Unrealised	<u>(32,110)</u>
	582,645
Add: Consolidation adjustments	<u>(14,329)</u>
	568,316
Total Group retained earnings as per consolidated financial statements	<u><u>568,316</u></u>

## B11. Financial instruments

### Derivatives

The Group does not have any derivative financial instruments.

### Disclosures of Gains/Losses arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities reported by the Group during the financial period under review.



**B12. Disclosure on selected expense / income items as required by the Listing Requirements of Bursa Malaysia Securities Berhad**

Included in profit before tax comprised the following income / (expense) items:

	<b>Quarter ended 30.9.2014 RMB'000</b>	<b>Year to date ended 30.9.2014 RMB'000</b>
Interest income	487	1,411
Interest expense	(155)	(466)
Depreciation and amortisation expenses	(3,757)	(11,149)
Net foreign exchange gain/ (loss)	64	(727)
Exceptional items	N/A	N/A
Property, plant and equipment ('PPE') written off	N/A	N/A
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
(Gain)/Loss on disposal of PPE	N/A	N/A
(Gain)/Loss on disposal of quoted or unquoted investments or properties	N/A	N/A
(Gain)/Loss on derivatives	N/A	N/A
Impairment of assets	N/A	N/A

"N/A" denotes not applicable.



**APPENDICES – FINANCIAL STATEMENTS TRANSLATED INTO RINGGIT MALAYSIA  
(FOR ILLUSTRATIVE PURPOSE ONLY)**

The Board of Directors wish to highlight that the presentation currency adopted by the Group in preparing the interim financial statements is Renminbi (“RMB”) as allowed under the new MFRS Framework.

The following supplementary financial statements in Ringgit Malaysia (“RM”) (which include condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows) are shown for reference only and have been translated at single exchange rate of RMB1 to RM0.5303 at 30 September 2014. The translation should not be construed as a representation that the RMB amounts actually have been or could be converted into RM at this or any other rate.

In addition, due to the changes of presentation currency on adoption of MFRS Framework, the comparative financial information contained in the following supplementary financial statements translated into RM would not be consistent with previously announced interim and annual financial statements as those statements were prepared using RM as the presentation currency (which was a requirement under the previous FRS Framework).

List of supplementary financial statements in Ringgit Malaysia (“RM”):

**Appendix A – Condensed Consolidated Statement of Comprehensive Income**

**Appendix B – Condensed Consolidated Statement of Financial Position**

**Appendix C – Condensed Consolidated Statement of Changes in Equity**

**Appendix D – Condensed Consolidated Statement of Cash Flows**



**APPENDIX A –  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.9.2014 RM'000	Quarter ended 30.9.2013 RM'000	Year to date ended 30.9.2014 RM'000	Year to date ended 30.9.2013 RM'000
Revenue	78,150	93,847	217,646	248,181
Cost of Sales	(58,193)	(70,902)	(162,773)	(182,396)
Gross Profit ("GP")	19,957	22,945	54,873	65,785
Other Income	497	1,093	987	2,151
Selling and Distribution Costs	(5,667)	(1,688)	(10,746)	(6,575)
Administrative and Other Expenses	(4,023)	(4,402)	(11,987)	(10,815)
Finance Costs	(83)	(81)	(248)	(224)
<b>Profit before Tax ("PBT")</b>	10,681	17,867	32,879	50,322
Tax Expense	(3,243)	(4,750)	(10,112)	(13,112)
<b>Profit For The Period ("PAT")</b>	7,438	13,117	22,767	37,210
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	(472)	-	(1,213)
Other Comprehensive Income, net of tax	-	(472)	-	(1,213)
<b>Total Comprehensive Income</b>	7,438	12,645	22,767	35,997
<b>Profit attributable to:</b>				
Equity holders of the parent	7,438	13,117	22,767	37,210
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	7,438	12,645	22,767	35,997
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.65	1.45	1.91	4.10
- Diluted (sen)	*	*	*	*



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

	<b>As at 30.9.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	309,486	311,925
Land use rights	27,496	27,980
	<u>336,982</u>	<u>339,905</u>
<b>Current Assets</b>		
Inventories	11,056	5,453
Trade and other receivables	90,677	109,859
Cash and cash equivalents	264,778	153,720
	<u>366,511</u>	<u>269,032</u>
<b>TOTAL ASSETS</b>	<b><u>703,493</u></b>	<b><u>608,937</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	370,791	258,935
Reserves	254,027	261,940
<b>TOTAL EQUITY</b>	<u>624,818</u>	<u>520,875</u>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	12,325	11,120
<b>Current Liabilities</b>		
Trade and other payables	58,826	67,624
Bank borrowings	5,303	5,303
Current tax liabilities	2,221	4,015
	<u>66,350</u>	<u>76,942</u>
<b>TOTAL LIABILITIES</b>	<u>78,675</u>	<u>88,062</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>703,493</u></b>	<b><u>608,937</u></b>
<b>Net assets per share (RM)</b>	<u>0.56</u>	<u>0.57</u>





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

Quarter and year to date ended 30 September 2013	←----- Non-distributable ----->					Distributable		Total Equity RM'000
	Share Capital RM'000	Warrant Reserve RM'000	Statutory Surplus Reserve RM'000	Merger Deficit RM'000	Exchange Translation Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	
At 1 January 2013	258,935	13,337	13,211	(108,661)	(198)	(1)	302,171	478,794
Transfer to statutory surplus reserve	-	-	105	-	-	-	(105)	-
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(1,909)	(1,909)
Dividend declared	-	-	-	-	-	-	(3,696)	(3,696)
Total comprehensive income for the period	-	-	-	-	(1,213)	-	37,210	35,997
At 30 September 2013	258,935	13,337	13,316	(108,661)	(1,411)	(1)	333,671	509,186



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

Quarter and year to date ended 30 September 2014	←----- Non-distributable ----->						Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Statutory Surplus Reserve RM'000	Merger Deficit RM'000	Exchange Translation Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	
At 1 January 2014	258,935	-	13,337	15,625	(108,661)	(9,347)	(1)	350,987	520,875
Effects on conversion of functional currency	(23,993)	-	(1,503)	-	-	27,071	-	(1,562)	13
Issue of new shares pursuant to the right issues exercise	77,628	3,535	-	-	-	-	-	-	81,163
Bonus issue	58,221	(3,535)	-	-	-	-	-	(54,686)	-
Free warrants pursuant to the right issues exercise	-	-	13,453	-	-	-	-	(13,453)	-
Transfer to statutory surplus reserve	-	-	-	2,676	-	-	-	(2,676)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	22,767	22,767
At 30 September 2014	370,791	-	25,287	18,301	(108,661)	17,724	(1)	301,377	624,818



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

	Year to date ended	
	30.9.2014 RM'000	30.9.2013 RM'000
Profit before tax	32,879	50,322
Adjustments for non-cash flow:-		
Non-cash items	5,912	3,781
Non-operating items	(501)	(230)
Operating profit before working capital changes	38,290	53,873
Changes in working capital		
Net change in current assets	13,578	(13,484)
Net change in current liabilities	(8,798)	34,460
Cash generated from operating activities	43,070	74,849
Income tax paid	(10,701)	(13,954)
Net cash generated from operating activities	32,369	60,895
Investing activities		
Interest received	748	453
Purchase of property, plant and equipment	(2,988)	(52,948)
Net cash used in investing activities	(2,240)	(52,495)
Financing activities		
Proceeds from issuance of shares, net of expenses	81,164	-
Dividend paid	-	(3,696)
Drawdown of borrowings	-	5,303
Interest paid	(247)	(224)
Net cash generated from financing activities	80,917	1,383
Net change in cash and cash equivalents	111,046	9,783
Cash and cash equivalents at beginning of financial period	153,720	161,799
Effect of changes in exchange rate	12	(51)
Cash and cash equivalents at end of financial period	264,778	171,531
Cash and cash equivalents at end of financial period		
Cash and bank balances	264,778	171,531