



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2012**

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.3.2012 <sup>(1)</sup> RMB'000	Quarter ended 31.3.2011 RMB'000 (restated)	Year to date ended 31.3.2012 <sup>(1)</sup> RMB'000	Year to date ended 31.3.2011 RMB'000 (restated)
Revenue	228,593	202,784	228,593	202,784
Cost of Sales	(157,105)	(141,595)	(157,105)	(141,595)
Gross Profit ("GP")	71,488	61,189	71,488	61,189
Other Income	300	158	300	158
Selling and Distribution Costs	(9,354)	(3,730)	(9,354)	(3,730)
Administrative and Other Expenses	(4,913)	(4,102)	(4,913)	(4,102)
Finance Costs	(628)	(466)	(628)	(466)
<b>Profit before Tax ("PBT")</b>	56,893	53,049	56,893	53,049
Tax Expense	(14,505)	(13,417)	(14,505)	(13,417)
<b>Profit For The Period ("PAT")</b>	42,388	39,632	42,388	39,632
<b>Other Comprehensive Income:</b>				
Foreign currency translations	(204)	(235)	(204)	(235)
Other Comprehensive Income, net of tax	(204)	(235)	(204)	(235)
<b>Total Comprehensive Income</b>	42,184	39,397	42,184	39,397
<b>Profit attributable to:</b>				
Equity holders of the parent	42,388	39,632	42,388	39,632
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	42,184	39,397	42,184	39,397
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (RMB cent)	6.05	5.91	6.05	5.91
- Diluted (RMB cent)	*	*	*	*

\* Refer Note B10 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 2011 and the accompanying explanatory notes attached to this interim financial report.



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

	As at 31.3.2012 <sup>(1)</sup> RMB'000	As at 31.12.2011 RMB'000 (restated)	As at 1.1.2011 RMB'000 (restated)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	420,029	390,213	266,019
Land use rights	54,894	55,199	56,416
	<u>474,923</u>	<u>445,412</u>	<u>322,435</u>
<b>Current Assets</b>			
Inventories	31,039	23,176	30,235
Trade and other receivables	214,150	196,620	173,621
Tax recoverable	235	-	-
Cash and cash equivalents	278,917	233,304	172,303
	<u>524,341</u>	<u>453,100</u>	<u>376,159</u>
<b>TOTAL ASSETS</b>	<b><u>999,264</u></b>	<b><u>898,512</u></b>	<b><u>698,594</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	327,256	299,552	273,193
Reserves	433,554	385,049	208,937
<b>TOTAL EQUITY</b>	<u>760,810</u>	<u>684,601</u>	<u>482,130</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	27,149	24,973	15,843
<b>Current Liabilities</b>			
Trade and other payables	148,278	124,475	132,301
Bank borrowings	45,850	39,900	42,750
Current tax liabilities	17,177	24,563	25,570
	<u>211,305</u>	<u>188,938</u>	<u>200,621</u>
<b>TOTAL LIABILITIES</b>	<u>238,454</u>	<u>213,911</u>	<u>216,464</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>999,264</u></b>	<b><u>898,512</u></b>	<b><u>698,594</u></b>
<b>Net assets per share (RMB)</b>	<u>1.05</u>	<u>1.00<sup>(2)</sup></u>	<u>0.75<sup>(2)</sup></u>

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 2011 and the accompanying explanatory notes attached to this interim financial report.
- (2) The net assets per share as at 31 December 2011 and 1 January 2011 have been adjusted by taking into consideration the issue of 241,998,950 Bonus Shares during period ended 31 March 2012.



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

Quarter and year to date ended 31 March 2011	←----- Non-distributable ----->						Distributable	
	Share Capital RMB'000	Share Premium RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000	Retained Earnings RMB'000	Total Equity RMB'000
At 1 January 2011	273,193	43,984	24,836	(204,906)	813	(1)	344,211	482,130
Issuance of ordinary shares pursuant to private placement, net of related expenses	26,359	14,677	-	-	-	-	-	41,036
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(2,003)	(2,003)
Total comprehensive income for the period	-	-	-	-	(235)	-	39,632	39,397
At 31 March 2011	299,552	58,661	24,836	(204,906)	578	(1)	381,840	560,560

Quarter and year to date ended 31 March 2012 <sup>(1)</sup>	←----- Non-distributable ----->						Distributable	
	Share Capital RMB'000	Share Premium RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000	Retained Earnings RMB'000	Total Equity 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
Deferred tax arising from undistributed profits of the PRC subsidiaries	-	-	-	-	-	-	(2,176)	(2,176)
Total comprehensive income for the period	-	-	-	-	(204)	-	42,388	42,184
At 31 March 2012	327,256	67,158	24,836	(204,906)	(292)	(1)	546,759	760,810

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 2011 and the accompanying explanatory notes attached to this interim financial report.



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

	Year to date ended	
	31.3.2012 <sup>(1)</sup> RMB'000	31.3.2011 RMB'000 (restated)
Profit before tax	56,893	53,049
Adjustments for non-cash flow:-		
Non-cash items	489	682
Non-operating items	328	308
Operating profit before working capital changes	<u>57,710</u>	<u>54,039</u>
Changes in working capital		
Net change in current assets	(25,393)	40,083
Net change in current liabilities	25,515	(41,444)
Cash generated from operating activities	<u>57,832</u>	<u>52,678</u>
Income tax paid	(23,838)	(18,013)
Net cash generated from operating activities	<u>33,994</u>	<u>34,665</u>
Investing activities		
Interest received	300	158
Proceeds from disposal of property, plant and equipment	-	141
Purchase of property, plant and equipment	(30,000)	(33,000)
Net cash used in investing activities	<u>(29,700)</u>	<u>(32,701)</u>
Financing activities		
Proceeds from issuance of shares pursuant to private placement	36,729	41,365
Private placement expenses	(528)	(330)
Drawdown of borrowings	5,950	11,700
Net repayment of borrowings	-	(12,500)
Interest paid	(628)	(466)
Reduction in/(Placement) of deposits pledged to bank	(4)	(3)
Net cash generated from/(used in) financing activities	<u>41,519</u>	<u>39,766</u>
Net change in cash and cash equivalents	45,813	41,730
Cash and cash equivalents at beginning of financial period	231,198	170,201
Effect of changes in exchange rate	(203)	235
Cash and cash equivalents at end of financial period	<u>276,808</u>	<u>211,696</u>
Cash and cash equivalents at end of financial period		
Cash and bank balances	276,808	211,696
Deposits placed with financial institutions	2,109	2,105
	<u>278,917</u>	<u>213,801</u>
Less: Deposits pledged to financial institutions	(2,109)	(2,105)
	<u>276,808</u>	<u>211,696</u>

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 2011 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 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 Securities”) Main Market Listing Requirements (“MMLR”). The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 2011.

Since the previous annual audited financial statements for the financial year ended 31 December 2011 were issued, the Group has adopted the MFRS framework issued by the MASB with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board (“IASB”). Whilst most of the FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the new MFRS framework, there are some differences in relation to transitional provisions and effective dates contained in certain of the FRSs. Further details are disclosed in Note A1(c) below.

#### **b) Basis of consolidation**

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling parties before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities’ financial and operating policy decision and risk and benefits to the ultimate controlling parties that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a restructuring under common control in a manner similar to pooling of interest or merger. Accordingly, consolidated financial statements have been prepared on the basis of merger accounting and comprised the financial statements of the subsidiaries, which were under common control of the ultimate controlling parties and management that existed prior to the reorganisation exercise during the relevant period or since their respective dates of incorporation.



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

### c) Adoption of MFRSs

On 1 January 2012, the Group adopted the following MFRSs and IC Interpretations:-

MFRS 1 First-time Adoption of Financial Reporting Standards  
MFRS 2 Share-based Payment  
MFRS 3 Business Combination  
MFRS 4 Insurance Contracts  
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations  
MFRS 6 Exploration for and Evaluation of Mineral Resources  
MFRS 7 Financial Instruments: Disclosures  
MFRS 8 Operating Segments  
MFRS 101 Presentation of Financial Statements  
MFRS 102 Inventories  
MFRS 107 Statement of Cash Flows  
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors  
MFRS 110 Events After the Reporting Period  
MFRS 111 Construction Contracts  
MFRS 112 Income Taxes  
MFRS 116 Property, Plant and Equipment  
MFRS 117 Leases  
MFRS 118 Revenue  
MFRS 119 Employee Benefits  
MFRS 120 Accounting for Government Grants and Disclosure of Government Assistancess  
MFRS 121 The Effects of Changes in Foreign Exchange Rates  
MFRS 123 Borrowing Costs  
MFRS 124 Related Party Disclosures  
MFRS 126 Accounting and Reporting by Retirement Benefit Plans  
MFRS 127 Consolidated and Separate Financial Statements  
MFRS 128 Investments in Associates  
MFRS 129 Financial Reporting in Hyperinflationary Economies  
MFRS 131 Interests in Joint Ventures  
MFRS 132 Financial Instruments: Presentation  
MFRS 133 Earnings Per Share  
MFRS 134 Interim Financial Reporting  
MFRS 136 Impairment of Assets  
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets  
MFRS 138 Intangible Assets  
MFRS 139 Financial Instruments: Recognition and Measurement  
MFRS 140 Investment Property  
MFRS 141 Agriculture  
Improvements to MFRSs  
IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities  
IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments  
IC Interpretation 4 Determining Whether an Arrangement Contains a Lease  
IC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds



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

### c) Adoption of MFRSs (cont'd)

On 1 January 2012, the Group adopted the following MFRSs and IC Interpretations (cont'd):-

- IC Interpretation 6 Liabilities Arising from Participating in a Specific Market-  
Waste Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach under MFRS 129  
Financial Reporting in Hyper inflationary Economies
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 12 Service Concession Arrangements
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 MFRS 119 – The Limit on a Defined Benefit Asset,  
Minimum Funding Requirements and their Interaction
- IC Interpretation 15 Agreements for the Construction of Real Estate
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17 Distributions of Non-cash Assets to Owners
- IC Interpretation 18 Transfers of Assets from Customers
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- IC Interpretation 107 Introduction of the Euro
- IC Interpretation 110 Government Assistance – No Specific Relation to  
Operating Activities
- IC Interpretation 112 Consolidation – Special Purpose Entities
- IC Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions  
by Venturers
- IC Interpretation 115 Operating Leases – Incentives
- IC Interpretation 125 Income Taxes – Changes in the Tax Status of an Entity or  
its Shareholders
- IC Interpretation 129 Evaluating the Substance of Transactions Involving the  
Legal Form of a Lease
- IC Interpretation 131 Revenue – Barter Transactions Involving Advertising  
Services
- IC Interpretation 132 Intangible Assets – Web Site Costs

The adoption of the above MFRSs and IC Interpretations did not have any significant effects on the financial statements of the Group, except for MFRS 121.

FRS 121 under the previous FRS framework mandates the use of Ringgit Malaysia (“RM”) as the presentation currency in accordance with the Companies Act, 1965. However, MFRS 121 does not have such a similar requirement.

The Board is of the opinion that adopting Renminbi (“RMB”), the functional currency of the Group’s principal operating subsidiaries in China, as the presentation currency in the preparation of the financial statements would provide a more meaningful and reflective information on the Group’s financial performance and position to the shareholders. Accordingly, the comparatives in relation to financial year ended 31 December 2011 have been restated using RMB as the presentation currency and an opening statement of financial position as at 1 January 2011 has been presented.



## **A2. Auditors' Report**

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2011 was not qualified.

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

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 reaches its peak during the spring/summer and autumn/winter seasons. Our Group has the practice to organise major product launching conferences twice a year, in conjunction with the launches of new season's collection of sports shoes and apparels. Existing customers and potential customers (including distributors and retailers) are invited to the conferences, during which they would indicate their intended three-month orders for the new collection of sports shoes and apparels. This is a 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**

### *(i) Private Placement 2012*

On 18 January 2012, the Board of Directors have proposed to undertake a private placement of up to 43,999,990 new ordinary shares of US\$0.10 each in the Company ("Placement Shares"), representing up to ten percent (10%) of the total issued and paid-up share capital of the Company (inclusive of treasury shares). ("**Private Placement 2012**")

On 31 January 2012, the Company has obtained the conditional approval from Bursa Securities for the listing and quotation of up to 43,999,990 Shares to be issued pursuant to the Private Placement 2012.

On 14 February 2012, the Board of Directors has fixed an issue price of RM0.40 per Placement Share for the first tranche of the Private Placement 2012, comprising 39,000,000 Placement Shares.

On 22 February 2012, the Company completed the listing and quotation of the first tranche of the Private Placement 2012, comprising 39,000,000 Placement Shares issued at an issue price of RM0.40 per Placement Share.



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

### (i) Private Placement 2012 (cont'd)

On 28 February 2012, the Board of Directors has fixed an issue price of RM0.40 per Placement Share for the second and final tranche of the Private Placement 2012, comprising 4,999,000 Placement Shares.

The Private Placement 2012 was deemed completed on 2 March 2012. Total proceeds of RM17,599,600 was raised from the Private Placement 2012.

### (ii) Bonus Issue

On 18 January 2012, the Board of Directors have proposed to undertake a bonus issue of up to 241,999,945 new Shares (“Bonus Shares”) (after the Private Placement 2012), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled shareholders of the Company on an entitlement date to be determined by the Board and announced later (“Entitlement Date”). (**“Bonus Issue”**)

Approval has been obtained from shareholders at the Special General Meeting held on 13 March 2012.

On 15 March 2012, the Board of Directors has determined the Entitlement Date for the Bonus Issue to be on 29 March 2012, at 5.00 p.m.

The Bonus Issue is deemed to be completed on 30 March 2012, following the listing and quotation of 241,998,950 Bonus Shares on the Main Market of Bursa Securities.

### (iii) Right Issue of Warrants

On 18 January 2012, the Board of Directors have proposed to undertake a renounceable rights issue of up to 241,999,945 warrants in the Company (“Warrant[s]”) (after the Private Placement 2012), at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing Shares held by the entitled shareholders of the Company on the same Entitlement Date as the Bonus Issue. (**“Right Issue of Warrants”**)

Approval has been obtained from shareholders at the Special General Meeting held on 13 March 2012.

On 13 March 2012, the Board of Directors has resolved to fix the exercise price of the Warrants at RM0.35 each.

On 15 March 2012, the Board of Directors has determined the Entitlement Date for both the Warrants and Bonus Issue to be on 29 March 2012, at 5.00 p.m.

The Right Issue of Warrants is deemed to be completed on 30 April 2012, following the listing of the 241,998,950 Warrants on the Main Market of Bursa Securities. Total proceeds of RM12,099,948 was raised.

Other than the above, there were no cancellation, repurchase, resale and repayment of debt and equity securities during the 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.

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:

	<b>Sales revenue by regions</b>	
	<b>Quarter and Year to date ended 31.3.2012 RMB'000</b>	<b>Quarter and Year to date ended 31.3.2011 RMB'000</b>
	Within the PRC:	
- Eastern region	23,504	31,190
- Southern region	82,687	71,920
- Western region	65,168	50,870
- Northern region	57,234	48,804
	228,593	202,784

In this context, the regions are grouped in the following manner by the Group:

- 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.



## A8. Segment Information (cont'd)

### *Sales revenue by products*

	Sales revenue by products	
	Quarter and Year to date ended 31.3.2012 RMB'000	Quarter and Year to date ended 31.3.2011 RMB'000
Sports shoes	116,824	112,084
Sports apparel, accessories and equipment	111,769	90,700
	228,593	202,784

## A9. Property, Plant and Equipment

The valuation of property, plant and equipment, if any, has been brought forward without amendment from the previous audited financial statements.

## A10. 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.

## A11. Changes in the Composition of the Group

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

## A12. Changes in Contingent Liabilities

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

## A13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2012 is as follows:

	As at 31.3.2012 RMB'000
<b>Property, plant and equipment</b>	
Contracted but not provided for	-
Approved but not contracted for	91,000
	91,000



#### A14. Significant Related Party Transactions

	<b>Quarter and Year to date ended 31.3.2012 RMB'000</b>	<b>Quarter and Year to date ended 31.3.2011 RMB'000</b>
Rental paid to related parties	650	650

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

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

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

There are no significant changes to the Group's principal operations during the financial period under review.

During the financial period under review, the Group's operations remained concentrated in Jinjiang City, Fujian Province of the PRC - the principal place of business in which majority of the assets and liabilities of the Group are located.

It is the Group's chief operating decision maker, the Group's Chief Executive Officer's practice to manage the two principal operating subsidiaries of the Group as single segment, as the operations of the two subsidiaries bearing similar nature. Performance assessment and resources allocation are made by reference to internal reports which are similar to the interim financial reports published externally on periodic basis.

Revenue has climbed from RMB202.8 million in corresponding period in the previous financial year to RMB228.6 million during the current financial period under review, harvested a growth of 12.7%.

The growth was backed by improvement in both sales of sports shoes and apparels under "XiDeLang" brand and OEM manufacturing revenue. Sales harvested from products under the Group's proprietary brand "XiDeLang" has increased by RMB20.4 million during the financial year under review, whilst OEM manufacturing revenue has gained a growth of RMB5.4 million.

Leveraging on core competencies as discussed below, our Group has been able to remain competitive amid the intensified competition within the sportswear industry in the PRC:

- Continuous product innovation with distinguishing and proprietary product designs has aided our Group's products to remain attractive to our targeted consumer base.
- On-going brand building efforts via multi-medium advertising to strengthen the market awareness and recognition towards our proprietary "XiDeLang" brand. This is an essential move to enable our Group to distinguish from other market players.
- Stringent product quality control to minimise the possibility of defect units released to the market. This has earned our Group consumer confidence, which in turn enhance the consumer loyalty towards our Group's products.

The growing passion for sports heated by the counting down for London Olympic 2012 has undoubtedly sustained the healthy demands for sports shoes and apparels in the domestic PRC market, as well as overseas market (which is covered by our OEM manufacturing operation). This has contributed positively towards our Group's performance.



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

The two broad product categories offered by the Group comprised:

- ◆ Sport shoes which include skateboard shoes, basketball shoes, running shoes, tennis shoes, casual shoes, outdoor shoes, high-heel shoes and OEM sport shoes.
- ◆ Sports apparel, accessories and equipment which include, amongst others, sports T-shirt, jacket suit, winter-clothing, cap, socks, sports bag.

During the financial period under review, sports apparel, accessories and equipment has continued to gain its significance towards the Group's total revenue, accounted for approximately 48.9% of the Group's total revenue (31 March 2011: 44.7%). It is the Group's strategy to further expand the sports apparel, accessories and equipment sales, given the shorter replacement lifespan as compared to sports shoes.

Sports shoes have garnered stable demands during the financial period under review, contributing 51.1% of the Group's total revenue (31 March 2011: 55.3%). Sports shoes have reached a stable and healthy level of demand, generating promising income to the Group.

Gross profit has strengthened from RMB61.2 million to RMB71.5 million during the current financial period under review. Gross profit margin ("GP margin") has improved from 30.2% in the corresponding period in the preceding year to 31.3% during the current financial year under review. Average selling price has been adjusted upwards in order to curb the escalating cost pressures, in line with the industry trend. The improved GP margin is also correlated to the increased revenue contribution from sports apparel, accessories and equipment, which generally commands a higher GP margin as compared to sports shoes.

The escalating raw material costs and labour costs remain the concern of the sportswear industry as a whole, and the Group's management has remained vigilant to the development to ensure prompt action is taken to respond to any adverse fluctuations. Maintaining a close relationship with the raw materials suppliers and fostering a pleasant working environment have served as the focus of the Group, as moves to counter the rising raw material costs and curb staff turnover.

Selling and distribution costs have escalated during the financial period under review, surged from RMB3.7 million in the corresponding period in the preceding year to RMB9.4 million in the current financial year. Selling and distribution costs for the current financial period under review stood at 4.1% of the Group's revenue, as opposed to 1.8% of the Group's revenue in quarter ended 31 March 2011. The increase in selling and distribution costs is mainly due to upsurge in advertising costs and new outlets subsidies to qualified distributors/retailers, in tandem with the Group's strategy to further strengthen the brand recognition in the market.

Administrative and other expenses, and finance costs have remained relatively consistent between the current financial period under review and the corresponding period in the preceding year. The Group would monitor the cost to ensure the expenses remain at reasonable and healthy level.



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

In line with the improved performance and growth in gross profit harvested, the Group recorded an encouraging profit before tax during the current financial period under review, stood at RMB56.9 million. This represented a growth of 7.2% as compared to the first quarter in the preceding year.

Profit after tax ('PAT'), in conjunction with the improvement in PBT, has enjoyed a growth from RMB39.6 million to RMB42.4 million in the current financial quarter, representing a growth of 7.0%.

## B2. Variation of Results against Preceding Quarter

	<b>Current quarter ended 31 March 2012 RMB'000</b>	<b>Preceding quarter ended 31 December 2011 RMB'000</b>
Revenue	228,593	260,826
Profit before taxation ("PBT")	56,893	67,694

Shadowed by the moderation of the China's economy growth and the uncertainties revolving around the global economy, the consumer sentiments in the PRC have inevitably be affected. This, coupled with the slowdown in the overall market activities in China in conjunction with the celebration of Chinese New Year (which fell in the current quarter under review), have resulted in the revenue contraction.

Compared to the preceding quarter ended 31 December 2011, revenue harvested during the financial period under review narrowed from RMB260.8 million to RMB228.6 million, representing a slowdown of 12.4%.

Concomitantly, the profit before taxation reported by the Group during the financial period under review has narrowed to RMB56.9 million, representing a 16.0% decline from RMB67.7million recorded in the preceding quarter ended 31 December 2011.

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### **B3. Next Year Prospects**

Moving into 2012, we anticipate that the global economy would remain challenging and China, the principal operating environment of the Group, is unlikely to be fully insulated from the potential impacts.

The Group believes that the domestic retail market and consumer sentiment would be affected by the moderation of China's economic growth to a certain extent. The industry competition is expected to remain intense with the pressure of cost escalation likely to persist in the industry value chain, and the deep-discounting practice adopted by some industry players to clear excessive stock on hand.

On the bright side, the Group is confident that the growth in China's sportswear industry remains promising, particularly in the lower-tier cities, on the back of the government's continuing support for sports promotion, urbanisation and rising wages. On macroeconomic perspective, it is generally expected that policymakers of China would continue to focus on reining in inflation and expanding domestic demand as a response to the nation's economic restructuring for sustainable long term development.

Riding on the upcoming London Olympic 2012, it is expected that the passion for sports would again be resurrected and this would certainly favour the industry with uptrend in domestic consumption and retail sales. In addition, consumers are becoming more sophisticated and brand-oriented as a result of rising affluence. Hence, product and branding differentiation are cardinal elements to achieve sustainable sales and profitability. Sportswear brands that are able to distinguish themselves in the market, with the capability to promptly respond to the market changes and deliver greater value-for-money to the consumers would stand a chance to tap the market potential and capture a greater market share in the increasingly consolidated industry.

Bearing the great uncertainties revolving the global economy and the magnitude of the resulting impact on China's economy, the Board remains cautious about the industry development. Nevertheless, the Board is confident that through the various initiatives deliberated and planned as highlighted below, the Group's financial performance and prospects for the financial year ending 31 December 2012 would remain promising and optimistic barring any unforeseen circumstances.

- ◆ Expand research and development efforts on product designs and innovation to sustain product attractiveness to capture consumer taste and preference and broaden the product range to offer a more comprehensive and complete choices to the consumers.
- ◆ Enhance production efficiency for cost savings, and expand the production capacity to enable the Group to respond promptly to the changing market trends and consumer demand.
- ◆ Further strengthen 'XiDeLang' brand awareness via integrated and multi-medium advertising and promotion campaigns, and consolidate or reposition the retail outlets to ensure resources are optimised on areas with greater growth potential.



#### B4. Profit Forecast

Not applicable as no profit forecast was previously published.

#### B5. Income Tax Expense

Taxation comprises the following:-

	<b>Quarter and Year to date ended 31.3.2012 RMB'000</b>	<b>Quarter and Year to date ended 31.3.2011 RMB'000</b>
Income tax expense	14,505	13,417
Effective tax rate	25.5%	25.3%

Income tax expense recorded by the Group for the current financial period under review approximated RMB14.5 million, 8% increase as compared to corresponding period in the preceding year, in conjunction with the improved performance of the Group during the current financial period under review.

The effective tax rate stood at 25.5% for the current financial period under review (31 March 2011: 25.3%), which has marginally exceeded the statutory tax rate of 25% applicable in the PRC.

As the Group's principal operations are carried out in the PRC, the effective tax rate reported by the Group is generally correlated to the statutory tax rate applicable in the PRC. The marginal deviation between the effective tax rate and the statutory tax rate during the current financial 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 cannot be offset against the taxable income reported by other entities within the Group.

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

Total proceeds of RM29.7 million had been raised from the Private Placement 2012 and Right Issue of Warrants (the relevant details as disclosed in Note A6 above).

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	4,260	24,840	85	N1
ii) Estimated expenses in relation to the Proposals	Immediate	600	400	200	33	N1
		29,700	4,660	25,040		

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

## B7. Borrowings

The Group's borrowings consist of short term loans from financial institutions and recourse factoring, all of which are arranged in the PRC and denominated in RMB.

As at 31 March 2012, the Group's outstanding borrowings liabilities are as follows:-

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
<b>Current</b>			
Short term bank loans	-	12,300	12,300
Recourse factoring	33,550	-	33,550
	33,550	12,300	45,850

## 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. Dividends

The Board of Directors did not recommend any payment of dividend in the current financial period.



## B10. Earnings per Share

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

	Current quarter ended		Year to date ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	42,388	39,632	42,388	39,632
Weighted average number of ordinary shares in issue ('000)	700,416	670,888	700,416	670,888
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	6.05	5.91	6.05	5.91

The weighted average number of ordinary shares in issue has been calculated, taking into consideration of the issue of 241,998,950 Bonus Shares during period ended 31 March 2012.

No diluted earnings per share is shown for the current financial period and corresponding period in the preceding financial year as there were no dilutive instruments as at the reporting date.

However, following the completion of right issue of 241,998,950 warrants on 30 April 2012 (which falls within the second quarter of 2012), the Group would have dilutive instruments which would result in dilution to the earnings per share in future financial periods. Relevant disclosure and information would be made in future interim financial reports and in the annual financial statements for the financial year ending 2012.

## B11. Disclosure on realised and unrealised profit/loss

The retained earnings of the Group as at 31 March 2012 are analysed as follows:

	<b>As at 31.3.2012 RMB'000</b>
The retained earnings of the Company and its subsidiaries:	
- Realised	579,763
- Unrealised	(4,960)
	<u>574,803</u>
Add: Consolidation adjustments	(28,044)
	<u>546,759</u>
Total Group retained earnings as per consolidated financial statements	<u>546,759</u>



## B12. 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.

## B13. 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:

	<b>Quarter and Year to date ended 31.3.2012 RMB'000</b>
Interest income	(300)
Interest expense	628
Depreciation and amortisation expenses	489
Exceptional items	N/A
Foreign exchange gain	N/A
(Gain)/Loss on disposal of PPE	N/A
(Gain)/Loss on disposal of quoted or unquoted investments or properties	N/A
(Gain)/Loss on derivatives	N/A
Impairment of assets	N/A
Property, plant and equipment ('PPE') written off	N/A
Provision for and write off of receivables	N/A
Provision for and write off of inventories	N/A

"N/A" denotes not applicable.