



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2016**

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2016 <sup>(1)</sup> RMB'000	Quarter ended 30.6.2015 RMB'000	Financial period ended 30.6.2016 <sup>(1)</sup> RMB'000	Financial period ended 30.6.2015 RMB'000
Revenue	117,324	155,046	228,233	257,588
Cost of Sales	(96,685)	(126,026)	(188,954)	(206,342)
Gross Profit ("GP")	20,639	29,020	39,279	51,246
Other Income	497	528	982	1,036
Distribution Costs	(60)	(215)	(125)	(379)
Administrative and Other Expenses	(18,453)	(27,909)	(35,195)	(44,499)
Finance Costs	(114)	(145)	(226)	(282)
<b>Profit before Tax ("PBT")</b>	2,509	1,279	4,715	7,122
Tax Expense	(912)	(788)	(1,730)	(2,598)
<b>Profit For The Period ("PAT")</b>	1,597	491	2,985	4,524
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	1,597	491	2,985	4,524
<b>Profit attributable to:</b>				
Equity holders of the parent	1,597	491	2,985	4,524
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	1,597	491	2,985	4,524
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic <sup>(2)</sup> (RMB cent)	0.06	0.02	0.11	0.19
- Diluted <sup>(3)</sup> (RMB cent)	0.06	0.02	0.11	0.19

Note:

- (1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.
- (2) The basic earnings per ordinary share for the quarter and financial period ended 30 June 2015 have taken into effect of the bonus issue completed on 28 January 2016. The effect of bonus issue was reflected in accordance with MFRS 133, where the earnings per share calculations for all periods shall be adjusted retrospectively.
- (3) Refer Note B9 for further details.



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

	As at 30.6.2016 <sup>(1)</sup> RMB'000	As at 31.12.2015 RMB'000 (audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	562,710	569,409
Land use rights	49,721	50,330
	612,431	619,739
<b>Current Assets</b>		
Inventories	9,393	7,179
Trade and other receivables (Note @)	216,793	265,204
Current tax assets	1,348	1,942
Cash and cash equivalents	536,885	508,649
	764,419	782,974
<b>TOTAL ASSETS</b>	<b>1,376,850</b>	<b>1,402,713</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	162,558	246,681
Reserves	1,084,089	996,981
<b>TOTAL EQUITY</b>	1,246,647	1,243,662
<b>Non-current Liabilities</b>		
Deferred tax liabilities	19,750	19,546
<b>Current Liabilities</b>		
Trade and other payables (Note #)	100,453	129,505
Bank borrowings	10,000	10,000
	110,453	139,505
<b>TOTAL LIABILITIES</b>	130,203	159,051
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,376,850</b>	<b>1,402,713</b>
<b>Net assets per share (RMB)<sup>(2)</sup></b>	0.46	0.50

Notes:

(1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

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

Remark

(@) Average credit terms granted to trade receivables by the Group are one hundred and twenty (120) days.

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



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

Quarter and year to date ended 30 June 2015	Share Capital RMB'000	Share Premium RMB'000	ESOS Reserve RMB'000	Capital Reserve RMB'000	←----- Non-distributable ----->					Distributable Retained Earnings RMB'000	Total Equity RMB'000
					Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000		
At 1 January 2015	699,209	-	-	-	47,685	35,034	(204,906)	33,401	(1)	574,437	1,184,859
Surplus arising from par value reduction	(489,446)	-	-	489,446	-	-	-	-	-	-	-
Granting of employees' share option scheme (ESOS)	-	-	9,856	-	-	-	-	-	-	-	9,856
Issuance of shares pursuant to:											
- Exercise of ESOS	32,108	10,697	(9,856)	-	-	-	-	-	-	-	32,949
- Exercise of warrants	*	*		-	*	-	-	-	-	-	*
Reversal of warrants reserve upon expiry of the exercise rights of Warrants 2012/2015	-	-	-	-	(23,710)	-	-	-	-	23,710	-
Transfer to statutory surplus reserve	-	-	-	-	-	808	-	-	-	(808)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	4,524	4,524
At 30 June 2015	241,871	10,697	-	489,446	23,975	35,842	(204,906)	33,401	(1)	601,863	1,232,188



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

Quarter and period ended 30 June 2016 <sup>(1)</sup>	←----- Non-distributable ----->						Distributable		Total Equity RMB'000	
	Share Capital RMB'000	Share Premium RMB'000	Capital Reserve RMB'000	Warrant Reserve RMB'000	Statutory Surplus Reserve RMB'000	Merger Deficit RMB'000	Exchange Translation Reserve RMB'000	Treasury Shares RMB'000		Retained Earnings RMB'000
At 1 January 2016	246,681	15,087	489,446	23,975	36,432	(204,906)	33,401	(1)	603,547	1,243,662
Issuance of shares pursuant to:										
- Bonus issue of shares	265,903	-	(265,903)	-	-	-	-	-	-	-
Par value reduction	(350,026)	-	350,026	-	-	-	-	-	-	-
Fair value of additional warrants issued pursuant to bonus issue of shares	-	-	-	57	-	-	-	-	(57)	-
Transfer to statutory surplus reserve	-	-	-	-	487	-	-	-	(487)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	2,985	2,985
At 30 June 2016	162,558	15,087	573,569	24,032	36,919	(204,906)	33,401	(1)	605,988	1,246,647

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Financial period ended	
	30.6.2016 <sup>(1)</sup> RMB'000	30.6.2015 RMB'000
Profit before tax	4,715	7,122
Adjustments for non-cash flow:-		
Non-cash items	7,727	17,409
Non-operating items	(756)	(755)
Operating profit before working capital changes	11,686	23,776
Changes in working capital		
Net change in current assets	46,198	(50,699)
Net change in current liabilities	(29,052)	39,063
Cash generated from operating activities	28,832	12,140
Income tax paid	(933)	(4,383)
Net cash generated from operating activities	27,899	7,757
Investing activities		
Interest received	982	1,037
Purchase of property, plant and equipment	(350)	(11)
Net cash generated from investing activities	632	1,026
Financing activities		
Proceeds from issuance of shares pursuant to exercise of ESOS	-	32,949
Interest paid	(226)	(282)
Net cash (used in)/generated from financing activities	(226)	32,667
Net change in cash and cash equivalents	28,305	41,450
Cash and cash equivalents at beginning of financial period	508,649	517,914
Effect of changes in foreign exchange rate	(69)	-
Cash and cash equivalents at end of financial period	536,885	559,364
Cash and cash equivalents at end of financial period		
Cash and bank balances	536,885	559,364

Note:

- (1) *The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the annual report and audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.*

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

### A1. BASIS OF PREPARATION

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

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements (“MMLR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the annual report and audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The significant accounting policies and methods of computation applied in these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015, save for the adoption of the following MFRS and Amendments to MFRSs during the current financial period as disclosed below:

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

- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRSs (*Annual Improvements to MFRSs 2012 – 2014 Cycle*)
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101 *Disclosure Initiative*
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

The adoption of the above MFRS 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 have not been early adopted by the Group:

<u>Title</u>	<u>Effective Date</u>
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these accounting standards and amendments, 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 2015 were not subject to any qualification.

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

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

#### **A4. UNUSUAL ITEMS**

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





## A5. MATERIAL CHANGES IN ESTIMATES

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

## A6. DEBTS AND EQUITY SECURITIES

Corporate proposals relating to debts and/or equity securities

- *Bonus Issue of Shares*

On 7 August 2015, the Company announced to undertake a bonus issue of up to 1,969,858,013 new Shares (“Bonus Shares”) on the basis of one (1) Bonus Share for every one (1) existing Share held by entitled shareholders of the Company on an entitlement date to be determined by the Board of Directors at a later date (“**Proposed Bonus Issue of Shares**”).

The Proposed Bonus Issue of Shares was subsequently approved by the shareholders of the Company at a Special General Meeting held on 21 September 2015, with the entitlement date fixed on 27 January 2016. The Proposed Bonus Issue of Shares has been completed on 28 January 2016, following the listing of and quotation for 1,347,738,911 Bonus Shares on the Main Market of Bursa Securities.

- *Proposed Par Value Reduction*

On 27 April 2016, the Company announced the proposal to undertake a par value reduction via cancellation of USD0.02 of the par value of every existing issued and unissued share of XiDeLang of USD0.03 pursuant to Section 45 and 46 of the Companies Act 1981 of Bermuda effective on such date as may be determined by the Directors of the Company (“**Proposed Par Value Reduction**”).

The Proposed Par Value Reduction was subsequently approved by the shareholders of the Company at a Special General Meeting held on 16 June 2016. The Proposed Par Value Reduction was effected and completed on 23 June 2016.

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

## A7. DIVIDEND PAID

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review.



## A8. SEGMENT INFORMATION

The Group's activities are predominantly in designing, manufacturing and marketing of sports shoes as well as designing and marketing of sports apparel, accessories and equipment within the Peoples' Republic of China ("PRC"). The Group's operations are concentrated in Jinjiang City, Fujian Province of the PRC, which represents its principal place of business and in which the assets and liabilities of the Group are located.

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

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

	<b>Own branding manufacturer RMB'000</b>	<b>Original Design Manufacturer ("ODM") ^ RMB'000</b>	<b>Total RMB'000</b>
<b>Quarter ended 30 June 2016</b>			
Revenue	81,247	36,077	117,324
Interest income	484	13	497
Finance Cost	(112)	(1)	(113)
Net finance income/(expense)	372	12	384
<b>Quarter ended 30 June 2015</b>			
Revenue	116,231	38,815	155,046
Interest income	516	12	528
Finance Cost	(145)	*	(145)
Net finance income/(expense)	371	12	383

Remark

<sup>^</sup> The Group has expanded its outsource-manufacturing operations from original equipment manufacturer ("OEM") to original design manufacturer ("ODM") during the financial period under review.

\* Less than RMB1,000



**A8. SEGMENT INFORMATION (cont'd)**

	Own branding manufacturer RMB'000	Original Design Manufacturer ("ODM") ^ RMB'000	Total RMB'000
<b>Year to date ended 30 June 2016</b>			
Revenue	171,910	56,323	228,233
Interest income	955	27	982
Finance Cost	(224)	(1)	(225)
Net finance income/(expense)	731	26	757

**Year to date ended  
30 June 2015**

Revenue	194,286	63,302	257,588
Interest income	1,013	23	1,036
Finance Cost	(281)	(1)	(282)
Net finance income/(expense)	732	22	754

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

***Revenue by products***

	Quarter ended 30.6.2016 RMB'000	Quarter ended 30.6.2015 RMB'000	Year to date ended 30.6.2016 RMB'000	Year to date ended 30.6.2015 RMB'000
Sports shoes	117,324	120,523	208,747	197,073
Sports apparels, accessories and equipment	-	34,523	19,486	60,515
	117,324	155,046	228,233	257,588



#### A8. SEGMENT INFORMATION (cont'd)

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

- Eastern region includes Jiangsu and Shandong.
- Southern region includes Fujian, Hubei, Hunan, Jiangxi and Anhui.
- Western region includes Sichuan, Guangxi, Guizhou, Yunnan, Chongqing, Gansu, Xinjiang and Shaanxi.
- Northern region includes Beijing, Henan, Heilongjiang, Liaoning, Shanxi and Jilin.

##### *Revenue by region*

	<b>Quarter ended 30.6.2016 RMB'000</b>	<b>Quarter ended 30.6.2015 RMB'000</b>	<b>Year to date ended 30.6.2016 RMB'000</b>	<b>Year to date ended 30.6.2015 RMB'000</b>
Within the PRC:				
- Eastern region	5,757	8,527	11,506	13,475
- Southern region	59,768	73,279	106,497	121,241
- Western region	29,041	40,475	61,174	67,235
- Northern region	22,758	32,765	49,056	55,637
	<u>117,324</u>	<u>155,046</u>	<u>228,233</u>	<u>257,588</u>

#### A9. MATERIAL EVENTS

There are no material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

#### A10. CHANGES IN THE COMPOSITION OF THE GROUP

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

#### A11. CHANGES IN CONTINGENT LIABILITIES

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



## A12. CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements as at 30 June 2016 is as follows:

	<b>As at 30.6.2016 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>40,308</u>

## A13. RELATED PARTY TRANSACTIONS

	<b>Quarter ended 30.6.2016 RMB'000</b>	<b>Quarter ended 30.6.2015 RMB'000</b>	<b>Year to date ended 30.6.2016 RMB'000</b>	<b>Year to date ended 30.6.2015 RMB'000</b>
Rental paid to related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>268</u>

There was no related party transaction entered into by the Group during the current quarter and financial period ended 30 June 2016.

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

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

#### Revenue & Gross Profit

Our Group's performance for the current quarter and financial period under review remained commendable, with revenue reported at approximately RMB117.3 million (Quarter 2, 2015: RMB155.0 million) and RMB228.2 million (6 months, 2015: RMB257.6 million) respectively.

The decrease in revenue during the current quarter and financial period under review, as compared to the corresponding quarter and period in preceding year, was primarily due to negligible sales of own-branding sports apparels and accessories during the current quarter under review. In view of the sudden glut and intensifying competition for the apparels market which has resulted in margin pressure, the Management, after conducting cost-benefit study and taking into consideration the upcoming seasonal transition, have decided to use the current quarter to reposition its business strategy for the apparels market. Accordingly, the Management has embarked on operational improvement initiatives focusing on:

- Optimisation of design mix, so that the Group can have a good mix of apparels products with trendsetting designs and trend-enduring designs; and
- Optimisation of production and delivery flow to achieve cost-savings.

Gross profit for the current quarter and financial period under review remained positive, stood at RMB20.6 million and RMB39.3 million respectively. This, as compared to the corresponding quarter and financial period in preceding year, was lower by approximately 29.0% and 23.2% respectively in line with the moderation of sales.

Our Group's management monitors closely the industry development to ensure that appropriate actions are taken promptly in response to any adverse fluctuations. In addition, our Group is also leveraging on the healthy relationship with the raw material suppliers, and pleasant working environments and relationship with the workforce to curb sudden raw material price surge and excessive staff turnover.

#### Profit Level

Our Group continued the profitability trend during the current quarter and financial period under review.

Profit before tax (PBT) and net profit (PAT) for the current quarter under review stood at approximately RMB2.5 million and RMB1.6 million respectively, improved by approximately RMB1.2 million and RMB1.1 million as compared to the corresponding quarter in preceding year. This was primarily due to lower administrative and other expenses incurred during the current quarter under review as a result of non-recurrence of one-off employees' benefit expenses recorded in the preceding year, which has helped to mitigate the effect of lower revenue and gross profit.



## B1. ANALYSIS OF PERFORMANCE (cont'd)

PBT and PAT for the financial period under review stood at RMB4.7 million and RMB3.0 million respectively, lower as compared to the corresponding period in preceding year in line with the moderation in sales and gross profit.

The Board is dedicated to stay vigilant on the industry's development and will endeavour to maintain the Group's performance at a healthy level amid the prevailing challenging operating environment.

## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>Current quarter ended 30 June 2016 RMB'000</b>	<b>Preceding quarter ended 31 March 2016 RMB'000</b>
Revenue	117,324	110,909
Profit before taxation ("PBT")	<u>2,509</u>	<u>2,206</u>

Revenue for the current quarter under review stood at RMB117.3 million, improved by approximately 5.8% or RMB6.4 million as compared to the preceding quarter ended 31 March 2016, primarily due to market activities resumed to normal level after the Chinese New Year long holidays resulting in increased sales of own-branding sports shoes.

In line with the improved revenue, PBT for the current quarter under review increased by approximately 13.6% or RMB0.3 million as compared to the preceding quarter ended 31 March 2016.

## B3. OUTLOOK AND PROSPECTS

On 13 July 2016, the General Administration of Sport of China (中国国家体育总局) announced the 13<sup>th</sup> Five-Year Plan for the development of sports industry in China focusing on five core strategies:

- Deepen the industry structural reform and enhance the industrial and technological revolution innovation;
- Optimise the overall policy system and improve the efficiency and effectiveness of policy implementation;
- Advocate private-public partnership and encourage private sector investment to enlarge the capital investment in China's sports industry, and enhance the capital utilisation efficiency;
- Improve the welfare and education system for athletes, and strengthen the cultivation of reserved talents; and
- Strengthen the monitoring of the industry development and promote public participation and active communication with the industry players.



### B3. OUTLOOK AND PROSPECTS (cont'd)

The authorities are optimistic that the 13<sup>th</sup> Five-Year Plan and the National Fitness Campaign will contribute positively to the industry growth in the medium and long term and propel the nation to achieve the following development targets set for 2016 – 2020:

- ✓ Enlarge the market size and employment size of China's sports industry to exceed RMB3 trillion and 6 million people;
- ✓ Increase the industrial value-added contribution of the China's sports industry to 1.0% of the nation's GDP;
- ✓ Increase the service-based value-added contribution to more than 30% of the overall industrial value-added contribution of the China's sports industry;
- ✓ Expand the sports facilities and bases, per capita sports area to exceed 1.8m<sup>2</sup>; and
- ✓ Increase the consumption value of sports to more than 2.5% of the disposable income per capita.

Backed by the above active measures and policies by the Chinese Government to accelerate the development of the domestic sports industry and taking into consideration the huge and rising population in China (particularly with the new two-child policy), the Group is cautiously optimistic that the industry outlook and prospects remain promising in the medium and long term.

Barring any unforeseen circumstances, the Group expects the financial performance for the financial year ending 31 December 2016 to remain positive.

### B4. Profit Forecast

Not applicable as no profit forecast was previously published.

### B5. TAX EXPENSE

Taxation comprises the following:-

	Quarter ended 30.6.2016 RMB'000	Quarter ended 30.6.2015 RMB'000	Year to date ended 30.6.2016 RMB'000	Year to date ended 30.6.2015 RMB'000
Income tax expense	912	788	1,730	2,598
Effective tax rate	36.3%	61.6%	36.7%	36.5%

For the current quarter ended 30 June 2016, income tax expenses stood at RMB0.91 million (Quarter 2, 2015: RMB0.79 million) representing an increase of approximately 15.2% or RMB0.12 million in line with the improved profit before tax recorded.

For the financial period ended 30 June 2016, income tax expenses stood at RMB1.73 million (6 months, 2015: RMB2.60 million) representing a decrease of approximately 33.5% or RMB0.87 million in line with the lower profit before tax recorded.



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

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.

During the current quarter and financial period under review, the effective tax rate stood at 36.3% and 36.7% respectively, higher than the prevailing statutory tax rate of 25% in the PRC primarily due to:

- (i) Non-availability of Group's relief, where losses incurred by the investment holding entities within the Group were not allowed to be offset against the taxable profits reported by operating entities of the Group; and
- (ii) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries

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

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

The status of utilisation, as of 30 June 2016 is as follows:

(In RM)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	Utilisation RM'000	Utilisation RM'000	Amount RM'000	%	
i)	Purchase machinery and equipment for new design and production centre	Before December 2016	29,100	17,720	11,380	39.0	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	18,320	11,380		

(In RMB)			Proposed	Actual	Deviation		
	Purpose	Intended Timeframe	Utilisation RMB'000	Utilisation RMB'000	Amount RMB'000	%	
i)	Purchase machinery and equipment for new design and production centre	Before December 2016	53,670	32,729	20,941	39.0	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	33,836	20,941		

N1 The remaining funds is expected to be fully utilised before 31 December 2016.

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

### Rights Issue in 2014

The status of utilisation, as of 30 June 2016 is as follows:

<b>(In RM)</b>			<b>Proposed</b>	<b>Actual</b>	<b>Deviation</b>		
	<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Utilisation RM'000</b>	<b>Utilisation RM'000</b>	<b>Amount RM'000</b>	<b>%</b>	
i)	Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	Within 3 years	83,700	-	83,700	100	N2
ii)	Estimated expenses in relation to the Proposals	Immediate	1,000	1,000	-	-	
			84,700	1,000	83,700		

<b>(In RMB)</b>			<b>Proposed</b>	<b>Actual</b>	<b>Deviation</b>		
	<b>Purpose</b>	<b>Intended Timeframe</b>	<b>Utilisation RMB'000</b>	<b>Utilisation RMB'000</b>	<b>Amount RMB'000</b>	<b>%</b>	
i)	Construction of the second stage of the new Design & Production Centre ("Stage 2 Construction")	Within 3 years	151,246	-	151,246	100	N2
ii)	Estimated expenses in relation to the Proposals	Immediate	1,807	1,807	-	-	
			153,053	1,807	151,246		

N2 The proposed building plan for the Stage 2 Construction has been submitted to the relevant authorities in China and is still under their assessment. The utilisation for the funds raised is expected to be within three (3) years from the commencement of Stage 2 Construction. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.

## B7. BORROWINGS

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

As at 30 June 2016, 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	10,000	-	10,000
	<u>10,000</u>	<u>-</u>	<u>10,000</u>

## B8. CHANGES IN MATERIAL LITIGATION

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

## B9. EARNINGS PER SHARE

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

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

	Current quarter ended		Financial period ended	
	30.6.2016 RMB'000	30.6.2015 RMB'000	30.6.2016 RMB'000	30.6.2015 RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	<u>1,597</u>	<u>491</u>	<u>2,985</u>	<u>4,524</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,695,478</u>	<u>2,370,996</u>	<u>2,695,478</u>	<u>2,335,194</u>
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	<u>0.06</u>	<u>0.02</u>	<u>0.11</u>	<u>0.19</u>

The basic earnings per ordinary share for the quarter and financial period ended 30 June 2015 have taken into effect of the bonus issue completed on 28 January 2016. The effect of bonus issue was reflected in accordance with MFRS 133, where the earnings per share calculations for all periods shall be adjusted retrospectively.



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

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

As of 30 June 2016, the Group has 362,998,424 Warrant 2014 / 2017 and 881,239,780 Warrant 2015 / 2018 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 RM0.18 each and RM0.115 each (or RM equivalent of the par value of the Shares whichever is higher) respectively.

Pursuant to the par value reduction completed on 23 June 2016, the following adjustments have been effected:

- Warrant 2014 / 2017 – the exercise price has been revised to RM0.06 each; and
- Warrant 2015 / 2018 – the exercise price has been revised to RM0.04 each (or RM equivalent of the par value of the Shares whichever is higher).

The warrants in issue give 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 diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the period end. Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.

## B10. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS

The retained earnings of the Group as at 30 June 2016 are analysed as follows:

	<b>As at 30.6.2016 RMB'000</b>
The retained earnings of the Company and its subsidiaries:	
- Realised	649,006
- Unrealised	(69)
	<hr/> 648,937
Add: Consolidation adjustments	(42,949)
	<hr/>
Total Group retained earnings as per consolidated financial statements	<u><u>605,988</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 current quarter and 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 30.6.2016 RMB'000</b>	<b>Year to date ended 30.6.2016 RMB'000</b>
Interest income	497	982
Interest expense	(114)	(226)
Depreciation and amortisation expenses	(3,827)	(7,648)
Foreign exchange gain/(loss)	(69)	(69)
Property, plant and equipment written off	(10)	(10)
Exceptional items	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
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A

"N/A" denotes not applicable.



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

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

The following supplementary financial statements in Ringgit Malaysia (“RM”) (which include condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows) are shown for reference only and have been translated at single exchange rate of RMB1 to RM0.6066 at 30 June 2016. The translation should not be construed as a representation that the RMB amounts actually have been or could be converted into RM at this or any other rate.

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

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

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

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

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

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



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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2016 RM'000	Quarter ended 30.6.2015 RM'000	Financial period ended 30.6.2016 RM'000	Financial period ended 30.6.2015 RM'000
Revenue	71,169	94,051	138,446	156,253
Cost of Sales	<u>(58,649)</u>	<u>(76,447)</u>	<u>(114,620)</u>	<u>(125,167)</u>
Gross Profit ("GP")	12,520	17,604	23,826	31,086
Other Income	301	320	596	628
Distribution Costs	(36)	(130)	(76)	(230)
Administrative and Other Expenses	(11,194)	(16,930)	(21,349)	(26,993)
Finance Costs	<u>(69)</u>	<u>(88)</u>	<u>(137)</u>	<u>(171)</u>
<b>Profit before Tax ("PBT")</b>	1,522	776	2,860	4,320
Tax Expense	<u>(553)</u>	<u>(468)</u>	<u>(1,049)</u>	<u>(1,576)</u>
<b>Profit For The Period ("PAT")</b>	<u>969</u>	<u>298</u>	<u>1,811</u>	<u>2,744</u>
<b>Other Comprehensive Income:</b>				
Foreign currency translations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Comprehensive Income</b>	<u>969</u>	<u>298</u>	<u>1,811</u>	<u>2,744</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>969</u>	<u>298</u>	<u>1,811</u>	<u>2,744</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>969</u>	<u>298</u>	<u>1,811</u>	<u>2,744</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.04	0.01	0.07	0.12
- Diluted (sen)	0.04	0.01	0.07	0.12

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

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	341,340	345,403
Land use rights	30,161	30,530
	371,501	375,933
<b>Current Assets</b>		
Inventories	5,698	4,355
Trade and other receivables (Note @)	131,507	160,873
Current tax assets	818	1,178
Cash and cash equivalents	325,674	308,547
	463,697	474,953
<b>TOTAL ASSETS</b>	<b>835,198</b>	<b>850,886</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	98,608	149,637
Reserves	657,609	604,769
<b>TOTAL EQUITY</b>	756,217	754,406
<b>Non-current Liabilities</b>		
Deferred tax liabilities	11,980	11,857
<b>Current Liabilities</b>		
Trade and other payables (Note #)	60,935	78,557
Bank borrowings	6,066	6,066
	67,001	84,623
<b>TOTAL LIABILITIES</b>	78,981	96,480
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>835,198</b>	<b>850,886</b>
<b>Net assets per share (RM)</b>	0.28	0.30





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

Quarter and year to date ended 30 June 2015	Share Capital RM'000	Share Premium RM'000	ESOS Reserve RM'000	Capital Reserve RM'000	Non-distributable					Distributable Retained Earnings RM'000	Total Equity RM'000
					Warrant Reserve RM'000	Statutory Surplus Reserve RM'000	Merger Deficit RM'000	Exchange Translation Reserve RM'000	Treasury Shares RM'000		
At 1 January 2015	424,140	-	-	-	28,925	21,251	(124,295)	20,261	(1)	348,453	718,734
Surplus arising from par value reduction	(296,898)	-	-	296,898	-	-	-	-	-	-	-
Granting of employees' share option scheme (ESOS)	-	-	5,978	-	-	-	-	-	-	-	5,978
Issuance of shares pursuant to:											
- Exercise of ESOS	19,477	6,488	(5,978)	-	-	-	-	-	-	-	19,987
- Exercise of warrants	*	*		-	*	-	-	-	-	-	*
Reversal of warrants reserve upon expiry of the exercise rights of Warrants 2012/2015	-	-	-	-	(14,382)	-	-	-	-	14,382	-
Transfer to statutory surplus reserve	-	-	-	-	-	490	-	-	-	(490)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	2,744	2,744
At 30 June 2015	146,719	6,488	-	296,898	14,543	21,741	(124,295)	20,261	(1)	365,089	747,443



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

Quarter and period ended 30 June 2016	←----- Non-distributable -----→						Distributable		Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Capital Reserve 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 2016	149,637	9,151	296,898	14,543	22,100	(124,295)	20,261	(1)	366,112	754,406
Issuance of shares pursuant to:										
- Bonus issue of shares	161,296	-	(161,296)	-	-	-	-	-	-	-
Par value reduction	(212,325)	-	212,325	-	-	-	-	-	-	-
Fair value of additional warrants issued pursuant to bonus issue of shares	-	-	-	34	-	-	-	-	(34)	-
Transfer to statutory surplus reserve	-	-	-	-	295	-	-	-	(295)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,811	1,811
At 30 June 2016	98,608	9,151	347,927	14,577	22,395	(124,295)	20,261	(1)	367,594	756,217



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

	Financial period ended	
	30.6.2016 RM'000	30.6.2015 RM'000
Profit before tax	2,860	4,320
Adjustments for non-cash flow:-		
Non-cash items	4,686	10,560
Non-operating items	(459)	(457)
Operating profit before working capital changes	7,087	14,423
Changes in working capital		
Net change in current assets	28,023	(30,754)
Net change in current liabilities	(17,622)	23,695
Cash generated from operating activities	17,488	7,364
Income tax paid	(566)	(2,658)
Net cash generated from operating activities	16,923	4,706
Investing activities		
Interest received	596	628
Purchase of property, plant and equipment	(212)	(6)
Net cash generated from investing activities	384	622
Financing activities		
Proceeds from issuance of shares pursuant to exercise of ESOS	-	19,987
Interest paid	(137)	(171)
Net cash (used in)/generated from financing activities	(137)	19,816
Net change in cash and cash equivalents	17,169	25,144
Cash and cash equivalents at beginning of financial period	308,547	314,166
Effect of changes in foreign exchange rate	(42)	-
Cash and cash equivalents at end of financial period	325,674	339,310
Cash and cash equivalents at end of financial period		
Cash and bank balances	325,674	339,310