



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2016

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.9.2016 ⁽¹⁾ RMB'000	Quarter ended 30.9.2015 RMB'000	Financial period ended 30.9.2016 ⁽¹⁾ RMB'000	Financial period ended 30.9.2015 RMB'000
Revenue	124,727	138,375	352,960	395,963
Cost of Sales	(104,783)	(113,378)	(293,737)	(319,720)
Gross Profit ("GP")	19,944	24,997	59,223	76,243
Other Income	529	534	1,511	1,570
Distribution Costs	(163)	(274)	(288)	(653)
Administrative and Other Expenses	(17,340)	(21,523)	(52,535)	(66,022)
Finance Costs	(113)	(145)	(339)	(427)
Profit before Tax ("PBT")	2,857	3,589	7,572	10,711
Tax Expense	(1,023)	(1,360)	(2,753)	(3,958)
Profit For The Period ("PAT")	1,834	2,229	4,819	6,753
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	1,834	2,229	4,819	6,753
Profit attributable to:				
Equity holders of the parent	1,834	2,229	4,819	6,753
Total Comprehensive Income attributable to:				
Equity holders of the parent	1,834	2,229	4,819	6,753
Earnings per share attributable to equity holders of the parent				
- Basic ⁽²⁾ (RMB cent)	0.07	0.08	0.18	0.28
- Diluted ⁽³⁾ (RMB cent)	0.07	0.08	0.18	0.28

Notes:

- (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 September 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 30.9.2016 ⁽¹⁾ RMB'000	As at 31.12.2015 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	559,185	569,409
Land use rights	49,417	50,330
	608,602	619,739
Current Assets		
Inventories	9,720	7,179
Trade and other receivables (Note @)	224,184	265,204
Current tax assets	1,540	1,942
Cash and cash equivalents	542,746	508,649
	778,190	782,974
TOTAL ASSETS	1,386,792	1,402,713
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	162,558	246,681
Reserves	1,085,923	996,981
TOTAL EQUITY	1,248,481	1,243,662
Non-current Liabilities		
Deferred tax liabilities	19,865	19,546
Current Liabilities		
Trade and other payables (Note #)	108,446	129,505
Bank borrowings	10,000	10,000
	118,446	139,505
TOTAL LIABILITIES	138,311	159,051
TOTAL EQUITY AND LIABILITIES	1,386,792	1,402,713
Net assets per share (RMB)⁽²⁾	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 September 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)	-	-	13,099	-	-	-	-	-	-	-	13,099
Issuance of shares pursuant to:											
- Exercise of ESOS	36,914	15,162	(13,099)	-	-	-	-	-	-	-	38,977
- 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	-	-	-	-	-	1,382	-	-	-	(1,382)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	6,753	6,753
At 30 September 2015	246,677	15,162	-	489,446	23,975	36,416	(204,906)	33,401	(1)	603,518	1,243,688

Remark

* Less than RMB1,000



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

Quarter and period ended 30 September 2016 ⁽¹⁾	←----- 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)	-	-	-	-	-	-	-
- Exercise of warrants	*	-	-	*	-	-	-	-	-	*
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	-	-	-	-	913	-	-	-	(913)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	4,819	4,819
At 30 September 2016	162,558	15,087	573,569	24,032	37,345	(204,906)	33,401	(1)	607,396	1,248,481

Remark

* Less than RMB1,000

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	
	30.9.2016 ⁽¹⁾ RMB'000	30.9.2015 RMB'000
Profit before tax	7,572	10,711
Adjustments for non-cash flow:-		
Non-cash items	11,556	24,963
Non-operating items	(1,172)	(1,143)
Operating profit before working capital changes	17,956	34,531
Changes in working capital		
Net change in current assets	38,479	(66,040)
Net change in current liabilities	(21,059)	27,805
Cash generated from operating activities	35,376	(3,704)
Income tax paid	(2,032)	(5,990)
Net cash generated from/(used in) operating activities	33,344	(9,694)
Investing activities		
Interest received	1,511	1,570
Purchase of property, plant and equipment	(350)	(11)
Net cash generated from investing activities	1,161	1,559
Financing activities		
Proceeds from issuance of shares, net of expenses	*	38,977
Interest paid	(339)	(427)
Net cash (used in)/generated from financing activities	(339)	38,550
Net change in cash and cash equivalents	34,166	30,415
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	542,746	548,329
Cash and cash equivalents at end of financial period		
Cash and bank balances	542,746	548,329

Remark

* Less than RMB1,000

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
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
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. 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.

A5. 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.



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.

- *Conversion of existing warrants*

3,332 existing warrants of the Company (“Warrants 2015 / 2018”) have been exercised and converted into 3,332 new ordinary shares of USD0.01 each in the Company at an exercise price of RM0.04 with the listing date on 22 August 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:

	Own branding manufacturer RMB'000	Original Design Manufacturer ("ODM") ^ RMB'000	Total RMB'000
Quarter ended 30 September 2016			
Revenue	80,704	44,023	124,727
Interest income	516	13	529
Finance Cost	(113)	*	(113)
Net finance income/(expense)	403	13	416
Quarter ended 30 September 2015			
Revenue	90,384	47,991	138,375
Interest income	523	11	534
Finance Cost	(145)	*	(145)
Net finance income/(expense)	378	11	389

Remark

^ 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
Year to date ended 30 September 2016			
Revenue	252,614	100,346	352,960
Interest income	1,471	40	1,511
Finance Cost	(337)	(1)	(338)
Net finance income/(expense)	1,134	39	1,173

**Year to date ended
30 September 2015**

Revenue	284,670	111,293	395,963
Interest income	1,536	34	1,570
Finance Cost	(426)	(1)	(427)
Net finance income/(expense)	1,110	33	1,143

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 30.9.2016 RMB'000	Quarter ended 30.9.2015 RMB'000	Year to date ended 30.9.2016 RMB'000	Year to date ended 30.9.2015 RMB'000
Sports shoes	124,747	106,505	333,474	303,578
Sports apparels, accessories and equipment	-	31,870	19,486	92,385
	124,747	138,375	352,960	395,963



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

	Quarter ended 30.9.2016 RMB'000	Quarter ended 30.9.2015 RMB'000	Year to date ended 30.9.2016 RMB'000	Year to date ended 30.9.2015 RMB'000
Within the PRC:				
- Eastern region	5,783	6,198	17,289	19,673
- Southern region	67,803	74,511	174,300	195,752
- Western region	28,409	31,681	89,583	98,916
- Northern region	22,732	25,985	71,788	81,622
	124,727	138,375	352,960	395,963

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 September 2016 is as follows:

	As at 30.9.2016 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>40,308</u>

A13. RELATED PARTY TRANSACTIONS

	Quarter ended 30.9.2016 RMB'000	Quarter ended 30.9.2015 RMB'000	Year to date ended 30.9.2016 RMB'000	Year to date ended 30.9.2015 RMB'000
Rental paid to related parties	-	-	-	<u>268</u>

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

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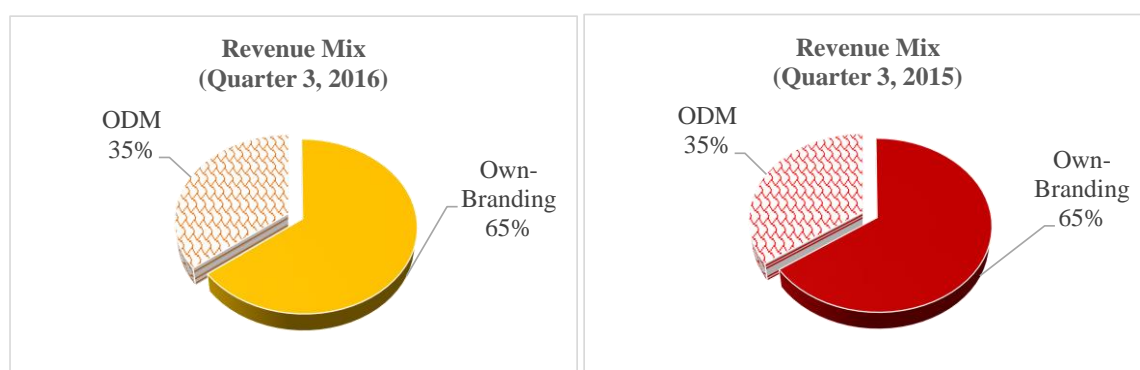
B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. ANALYSIS OF PERFORMANCE

Revenue & Gross Profit

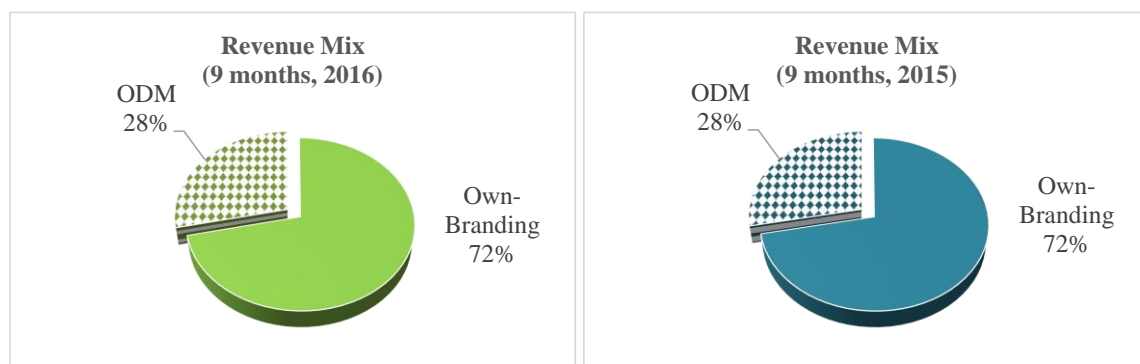
Our Group's revenue for the current quarter ended 30 September 2016 stood at RMB124.7 million (Quarter 3, 2015: RMB138.4 million), representing a decrease of 9.9% as compared to the corresponding quarter in preceding year.

The revenue mix remained relatively consistent, with own-branding products being the primary source of income for the Group contributing approximately 65% of the Group's total revenue for the current quarter under review.



Our Group's revenue for the financial period ended 30 September 2016 stood at RMB353.0 million (9 months, 2015: RMB396.0 million), representing a decrease of 10.9% as compared to the corresponding period in preceding year.

The revenue mix remained relatively consistent, with own-branding products being the primary source of income for the Group contributing approximately 72% of the Group's total revenue for the financial period under review.



The moderation of the Group's sales performance was primarily due to negligible sales of sports apparels and accessories since the second quarter of 2016, in line with the Group's calculated measures in managing the sudden glut and intensifying competition of the apparels market which has resulted in margin pressure.



B1. ANALYSIS OF PERFORMANCE (cont'd)

The Group is re-positioning its business strategy for the apparels market and has embarked on the following operational improvement initiatives to enhance the Group's sustainability and competitiveness:

- 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.

The managed slowdown in supply of apparels and accessories was partially mitigated by the improved sales of own-branding sports shoes during the current quarter and financial period under review. Sales of own-branding sports shoes has improved by approximately RMB22.2 million or 37.9% from RMB58.5 million in Quarter 3, 2015 to RMB80.7 million during the current quarter under review; whilst sales of own-branding sports shoes has improved by RMB40.8 million or 21.2% from RMB192.3 million during the 9-months period of 2015 to RMB233.1 million for the financial period under review.

The Group's gross profit for the current quarter and financial period under review remained positive, stood at RMB19.9 million and RMB59.2 million respectively. This, as compared to the corresponding quarter and financial period in preceding year, was lower by approximately 20.4% and 22.3% respectively in line with the moderation of sales.

Profit Level

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

Profit before tax (PBT) for the current quarter and financial period under review stood at approximately RMB2.9 million (Quarter 3, 2015: RMB3.6 million) and RMB7.6 million (9 months, 2015: RMB10.7 million) respectively.

Net profit (PAT) for the current quarter and financial period under review stood at approximately RMB1.8 million (Quarter 3, 2015: RMB2.2 million) and RMB4.8 million (9 months, 2015: RMB6.8 million) respectively.

Lower PBT and PAT reported for the current quarter and financial period under review was in line with the moderation of sales and gross profit as explained above.

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.

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

	Current quarter ended 30 September 2016 RMB'000	Preceding quarter ended 30 June 2016 RMB'000
Revenue	124,727	117,324
Profit before taxation ("PBT")	2,857	2,509

Revenue for the current quarter under review stood at RMB124.7 million, representing an increase of 6.3% as compared to the revenue of RMB117.3 million in the preceding quarter ended 30 June 2016. This was primarily attributable to improved ODM orders during the current quarter under review in conjunction with the seasonal transition.

In line with the improved revenue, PBT increased by approximately 16.0% or RMB0.4 million to RMB2.9 million during the current quarter under review from RMB2.5 million in the preceding quarter ended 30 June 2016.

B3. TAX EXPENSE

Taxation comprises the following:-

	Quarter ended 30.9.2016 RMB'000	Quarter ended 30.9.2015 RMB'000	Year to date ended 30.9.2016 RMB'000	Year to date ended 30.9.2015 RMB'000
Income tax expense	1,023	1,360	2,753	3,958
Effective tax rate	35.8%	37.9%	36.4%	37.0%

Income tax expenses for the current quarter and financial period ended 30 September 2016 stood at RMB1.02 million (Quarter 3, 2015: RMB1.36 million) and RMB2.75 million (9 months, 2015: RMB3.96 million) respectively, representing a decrease of approximately 25.0% and 30.6% as compared to the corresponding period in the preceding year. This is in line with the moderation of profit level as explained above.

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 35.8% and 36.4% 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.



B4. OUTLOOK AND PROSPECTS

On 13 July 2016, the General Administration of Sport of China (中国国家体育总局) announced the 13th 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.

The authorities are optimistic that the 13th 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 1.8m²; 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.

B5. Profit Forecast

Not applicable as no profit forecast was previously published.

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 September 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 2017	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 2017	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 *In line with the Group's strategic re-positioning of business focus, the Group is making appropriate alterations to the types of machinery and equipment to be invested in. Accordingly, a longer period is required for the remaining funds to be fully utilised. Barring any unforeseen circumstances, the Group expects the remaining funds to be fully utilised before 31 December 2017.*

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

Rights Issue in 2014

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

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

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

N2 *The proposed building plan for the 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 institution, all of which are arranged in the PRC and denominated in RMB.

As at 30 September 2016, the Group's outstanding borrowings liabilities are as follows:-

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

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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	1,834	2,229	4,819	6,753
Weighted average number of ordinary shares in issue ('000)	2,695,479	2,671,900	2,695,478	2,448,662
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	0.07	0.08	0.18	0.28

The basic earnings per ordinary share for the quarter and financial period ended 30 September 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 September 2016, the Group has 362,998,424 Warrant 2014 / 2017 and 881,236,448 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 September 2016 are analysed as follows:

	As at 30.9.2016 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	650,528
- Unrealised	(69)
	<hr/> 650,459
Add: Consolidation adjustments	(43,063)
	<hr/> 607,396
Total Group retained earnings as per consolidated financial statements	<hr/> <hr/> 607,396

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:

	Quarter ended 30.9.2016 RMB'000	Year to date ended 30.9.2016 RMB'000
Interest income	529	1,511
Interest expense	(113)	(339)
Depreciation and amortisation expenses	(3,829)	(11,477)
Foreign exchange gain/(loss)	*	(69)
Property, plant and equipment written off	-	(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

Remark

* Less than RMB1,000

"N/A" – 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 RM0.6200 at 30 September 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 30.9.2016 RM'000	Quarter ended 30.9.2015 RM'000	Financial period ended 30.9.2016 RM'000	Financial period ended 30.9.2015 RM'000
Revenue	77,331	85,793	218,835	245,497
Cost of Sales	(64,965)	(70,294)	(182,117)	(198,226)
Gross Profit ("GP")	12,366	15,499	36,718	47,271
Other Income	328	331	937	973
Distribution Costs	(101)	(170)	(179)	(405)
Administrative and Other Expenses	(10,751)	(13,345)	(32,572)	(40,934)
Finance Costs	(70)	(90)	(210)	(265)
Profit before Tax ("PBT")	1,772	2,225	4,694	6,640
Tax Expense	(634)	(843)	(1,707)	(2,454)
Profit For The Period ("PAT")	1,138	1,382	2,987	4,186
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	1,138	1,382	2,987	4,186
Profit attributable to:				
Equity holders of the parent	1,138	1,382	2,987	4,186
Total Comprehensive Income attributable to:				
Equity holders of the parent	1,138	1,382	2,987	4,186
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.04	0.05	0.11	0.17
- Diluted (sen)	0.04	0.05	0.11	0.17



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

	As at 30.9.2016 RM'000	As at 31.12.2015 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	346,695	353,034
Land use rights	30,639	31,205
	377,334	384,239
Current Assets		
Inventories	6,026	4,451
Trade and other receivables (Note @)	138,994	164,426
Current tax assets	955	1,204
Cash and cash equivalents	336,501	315,362
	482,476	485,443
TOTAL ASSETS	859,810	869,682
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	100,786	152,942
Reserves	673,271	618,128
TOTAL EQUITY	774,057	771,070
Non-current Liabilities		
Deferred tax liabilities	12,316	12,119
Current Liabilities		
Trade and other payables (Note #)	67,237	80,293
Bank borrowings	6,200	6,200
	73,437	86,493
TOTAL LIABILITIES	85,753	98,612
TOTAL EQUITY AND LIABILITIES	859,810	869,682
Net assets per share (RM)	0.29	0.31



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

Quarter and year to date ended 30 September 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	433,510	-	-	-	29,565	21,721	(127,042)	20,709	(1)	356,151	734,613
Surplus arising from par value reduction	(303,457)	-	-	303,457	-	-	-	-	-	-	-
Granting of employees' share option scheme (ESOS)	-	-	8,121	-	-	-	-	-	-	-	8,121
Issuance of shares pursuant to:											
- Exercise of ESOS	22,887	9,400	(8,121)	-	-	-	-	-	-	-	24,166
- Exercise of warrants	*	*		-	*	-	-	-	-	-	*
Reversal of warrants reserve upon expiry of the exercise rights of Warrants 2012/2015	-	-	-	-	(14,700)	-	-	-	-	14,700	-
Transfer to statutory surplus reserve	-	-	-	-	-	857	-	-	-	(857)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	4,186	4,186
At 30 September 2015	152,940	9,400	-	303,457	14,865	22,578	(127,042)	20,709	(1)	374,180	771,086



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

Quarter and period ended 30 September 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	152,942	9,354	303,457	14,865	22,588	(127,042)	20,709	(1)	374,198	771,070
Issuance of shares pursuant to:										
- Bonus issue of shares	164,860	-	(164,860)	-	-	-	-	-	-	-
- Exercise of warrants	*	-	-	*	-	-	-	-	-	*
Par value reduction	(217,016)	-	217,016	-	-	-	-	-	-	-
Fair value of additional warrants issued pursuant to bonus issue of shares	-	-	-	35	-	-	-	-	(35)	-
Transfer to statutory surplus reserve	-	-	-	-	566	-	-	-	(566)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	2,987	2,987
At 30 September 2016	100,786	9,354	355,613	14,900	23,154	(127,042)	20,709	(1)	376,584	774,057



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

	Financial period ended	
	30.9.2016 RM'000	30.9.2015 RM'000
Profit before tax	4,694	6,640
Adjustments for non-cash flow:-		
Non-cash items	7,165	15,477
Non-operating items	(727)	(709)
Operating profit before working capital changes	11,132	21,408
Changes in working capital		
Net change in current assets	23,857	(40,945)
Net change in current liabilities	(13,056)	17,239
Cash generated from operating activities	21,933	(2,298)
Income tax paid	(1,261)	(3,714)
Net cash generated from/(used in) operating activities	20,672	(6,012)
Investing activities		
Interest received	937	973
Purchase of property, plant and equipment	(217)	(7)
Net cash generated from investing activities	720	966
Financing activities		
Proceeds from issuance of shares, net of expenses	*	24,166
Interest paid	(210)	(265)
Net cash (used in)/generated from financing activities	(210)	23,901
Net change in cash and cash equivalents	21,182	18,855
Cash and cash equivalents at beginning of financial period	315,362	321,107
Effect of changes in foreign exchange rate	(43)	-
Cash and cash equivalents at end of financial period	336,501	339,962
Cash and cash equivalents at end of financial period		
Cash and bank balances	336,501	339,962