



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2016**

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2016 <sup>(1)</sup> RMB'000	Quarter ended 31.12.2015 RMB'000	Financial period ended 31.12.2016 <sup>(1)</sup> RMB'000	Financial period ended 31.12.2015 RMB'000
Revenue	150,874	148,849	503,834	544,812
Cost of Sales	(126,169)	(121,899)	(419,906)	(441,619)
Gross Profit ("GP")	24,705	26,950	83,928	103,193
Other Income	654	1,178	2,061	2,748
Distribution Costs	(75)	(280)	(259)	(933)
Administrative and Other Expenses	(21,487)	(26,056)	(74,022)	(92,078)
Finance Costs	(99)	(133)	(438)	(560)
<b>Profit before Tax ("PBT")</b>	3,698	1,659	11,270	12,370
Tax Expense	(1,583)	(1,614)	(4,336)	(5,572)
<b>Profit For The Period ("PAT")</b>	<u>2,115</u>	<u>45</u>	<u>6,934</u>	<u>6,798</u>
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	<u>2,115</u>	<u>45</u>	<u>6,934</u>	<u>6,798</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>2,115</u>	<u>45</u>	<u>6,934</u>	<u>6,798</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>2,115</u>	<u>45</u>	<u>6,934</u>	<u>6,798</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic <sup>(2)</sup> (RMB cent)	0.078	0.002	0.257	0.271
- Diluted <sup>(3)</sup> (RMB cent)	0.078	0.002	0.257	0.271

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 31 December 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 31.12.2016 <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	555,720	569,409
Land use rights	49,113	50,330
	604,833	619,739
<b>Current Assets</b>		
Inventories	7,350	7,179
Trade and other receivables (Note @)	238,629	265,204
Current tax assets	1,555	1,942
Cash and cash equivalents	562,208	508,649
	809,742	782,974
<b>TOTAL ASSETS</b>	<b>1,414,575</b>	<b>1,402,713</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	157,909	246,681
Reserves	1,092,687	996,981
<b>TOTAL EQUITY</b>	1,250,596	1,243,662
<b>Non-current Liabilities</b>		
Deferred tax liabilities	20,044	19,546
<b>Current Liabilities</b>		
Trade and other payables (Note #)	133,935	129,505
Bank borrowings	10,000	10,000
	143,935	139,505
<b>TOTAL LIABILITIES</b>	163,979	159,051
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,414,575</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 (120) days.



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

Quarter and year to date ended 31 December 2015	[----- Non-distributable -----]							Distributable		Total Equity RMB'000	
	Share Capital RMB'000	Share Premium RMB'000	ESOS Reserve 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 2015	699,209	-	-	-	47,685	35,034	(204,906)	33,401	(1)	574,437	1,184,859
Par value reduction	(489,446)	-	-	489,446	-	-	-	-	-	-	-
Share options granted under employees' share option scheme (ESOS)	-	-	13,099	-	-	-	-	-	-	-	13,099
Ordinary shares issued pursuant to:											
- Exercise of ESOS	36,914	15,087	(13,099)	-	-	-	-	-	-	-	38,902
- Exercise of warrants	4	*	-	-	*	-	-	-	-	-	4
Unexercised warrants lapsed	-	-	-	-	(23,710)	-	-	-	-	23,710	-
Transfer to statutory surplus reserve	-	-	-	-	-	1,398	-	-	-	(1,398)	-
Total comprehensive income for the financial year	-	-	-	-	-	-	-	-	-	6,798	6,798
At 31 December 2015	246,681	15,087	-	489,446	23,975	36,432	(204,906)	33,401	(1)	603,547	1,243,662

Remark

\* Less than RMB1,000



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

Quarter and year to date ended 31 December 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
Ordinary shares issued pursuant to:										
- Bonus issue	265,903	-	(265,903)	-	-	-	-	-	-	-
- Exercise of warrants	*	-	-	*	-	-	-	-	-	*
Par value reduction	(354,675)	-	354,675	-	-	-	-	-	-	-
Fair value of additional warrants issued pursuant to bonus issue of shares	-	-	-	57	-	-	-	-	(57)	-
Transfer to statutory surplus reserve	-	-	-	-	1,457	-	-	-	(1,457)	-
Total comprehensive income for the financial year	-	-	-	-	-	-	-	-	6,934	6,934
At 31 December 2016	157,909	15,087	578,218	24,032	37,889	(204,906)	33,401	(1)	608,967	1,250,596

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 year ended	
	31.12.2016 <sup>(1)</sup> RMB'000	31.12.2015 RMB'000
Profit before tax	11,270	12,370
Adjustments for non-cash flow:-		
Non-cash items	15,304	28,726
Non-operating items	(1,611)	(1,535)
Operating profit before working capital changes	24,963	39,561
Changes in working capital		
Net change in current assets	26,404	(122,840)
Net change in current liabilities	4,430	44,909
Cash generated from operating activities	55,797	(38,370)
Income tax paid	(3,451)	(8,576)
Net cash generated from/(used in) operating activities	52,346	(46,946)
Investing activities		
Interest received	2,049	2,095
Proceeds from disposal of property, plant and equipment	-	134
Purchase of property, plant and equipment	(410)	(2,865)
Net cash generated from/(used in) investing activities	1,639	(636)
Financing activities		
Proceeds from issuance of shares, net of expenses, pursuant to:		
- Exercise of employees' share option scheme ("ESOS")	-	39,485
- Exercise of warrants	-	4
Drawdown of borrowings	10,000	10,000
Repayment of borrowings	(10,000)	(10,000)
Interest paid	(438)	(560)
Net cash (used in)/generated from financing activities	(438)	38,929
Net change in cash and cash equivalents	53,547	(8,653)
Cash and cash equivalents at beginning of financial year	508,649	517,914
Effect of changes in foreign exchange rate	12	(612)
Cash and cash equivalents at end of financial year	562,208	508,649
Cash and cash equivalents at end of financial year		
Cash and bank balances	562,208	508,649

*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, Amendments to MFRSs and IC Interpretation 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 12 ( <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i> )	1 January 2017
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 1 ( <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i> )	1 January 2018
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
Amendments to MFRS 128 ( <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i> )	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 paragraphs 46 and 48
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, amendments and interpretation, 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 year 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 year 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 year.



## A7. DIVIDEND PAID

The Board of Directors did not recommend any payment of dividend during the current quarter and financial year 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
<b>Quarter ended 31 December 2016</b>			
Revenue	97,882	52,992	150,874
Interest income	525	13	538
Finance Cost	(99)	-	(99)
Net finance income/(expense)	426	13	439
<b>Quarter ended 31 December 2015</b>			
Revenue	119,297	29,552	148,849
Interest income	515	10	525
Finance Cost	(133)	-	(133)
Net finance income/(expense)	382	10	392

Remark

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



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

	Own branding manufacturer RMB'000	Original Design Manufacturer ("ODM") ^ RMB'000	Total RMB'000
<b>Year to date ended 31 December 2016</b>			
Revenue	350,496	153,338	503,834
Interest income	1,996	53	2,049
Finance Cost	(438)	-	(438)
Net finance income/(expense)	1,558	53	1,611
<b>Year to date ended 31 December 2015</b>			
Revenue	403,967	140,845	544,812
Interest income	2,052	43	2,095
Finance Cost	(560)	-	(560)
Net finance income/(expense)	1,492	43	1,535

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 31.12.2016 RMB'000	Quarter ended 31.12.2015 RMB'000	Year to date ended 31.12.2016 RMB'000	Year to date ended 31.12.2015 RMB'000
Sports shoes	150,874	105,299	484,349	408,877
Sports apparels, accessories and equipment	-	43,550	19,485	135,935
	150,874	148,849	503,834	544,812



## A8. SEGMENT INFORMATION (cont'd)

During the financial year 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 31.12.2016 RMB'000</b>	<b>Quarter ended 31.12.2015 RMB'000</b>	<b>Year to date ended 31.12.2016 RMB'000</b>	<b>Year to date ended 31.12.2015 RMB'000</b>
Within the PRC:				
- Eastern region	7,212	8,565	24,501	28,238
- Southern region	81,971	64,668	256,271	260,420
- Western region	34,590	41,961	124,173	140,877
- Northern region	27,101	33,655	98,889	115,277
	150,874	148,849	503,834	544,812

## A9. MATERIAL EVENTS

As at 31 December 2016, the Company has 362,998,424 Warrant 2014 / 2017 in issue, which entitles the holders the rights for conversion into one (1) ordinary share for every one (1) warrant at the revised exercise price (pursuant to the Par Value Reduction completed on 23 June 2016) of RM0.06 each.

The exercise rights of Warrants 2014 / 2017 have expired subsequent to the financial year end, on 20 January 2017; and all remaining unexercised Warrants 2014 / 2017 have been delisted from the Official List of Bursa Malaysia Securities Berhad and withdrawn from the Depositor's Securities Accounts on 23 January 2017.

There are no other material events subsequent to the end of the current quarter and financial year 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 year 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 31 December 2016 is as follows:

	<b>As at 31.12.2016 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>40,248</u>

#### A13. RELATED PARTY TRANSACTIONS

	<b>Quarter ended 31.12.2016 RMB'000</b>	<b>Quarter ended 31.12.2015 RMB'000</b>	<b>Year to date ended 31.12.2016 RMB'000</b>	<b>Year to date ended 31.12.2015 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 year ended 31 December 2016.

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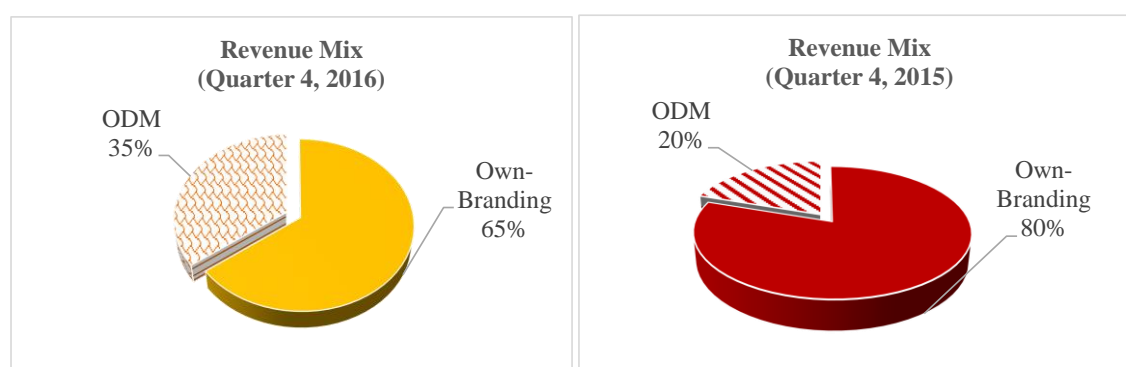
## B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### B1. ANALYSIS OF PERFORMANCE

#### Revenue & Gross Profit

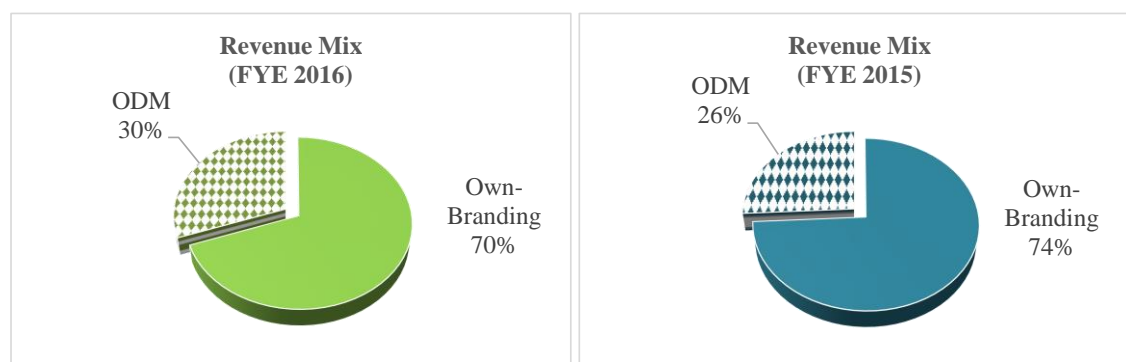
Our Group's revenue for the current quarter ended 31 December 2016 stood at RMB150.87 million (Quarter 4, 2015: RMB148.85 million), representing an increase of 1.4% as compared to preceding year corresponding quarter.

Own-branding products remained to be the primary income-generating unit of the Group, contributing approximately 65% of the Group's total revenue for the current quarter under review.



Our Group's revenue for the financial year ended ("FYE") 31 December 2016 stood at RMB503.83 million, representing a slight decrease of 7.5% as compared to the revenue of RMB544.81 million in the FYE 2015.

The revenue mix remained relatively consistent, with own-branding products being the primary source of income for the Group contributing approximately 70% of the Group's total revenue for the current financial year under review.





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

During the current financial year under review, in view of the sudden glut and intensifying competition within the apparels market which has resulted in margin pressure, the Group has embarked on a managed slowdown in the supply of apparels and accessories and placed emphasis 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 calculated cutback in supply of apparels and accessories was the primary factor for the moderation of the Group's sales performance during the current financial year under review. The Group will monitor closely the market development and revise the sales and marketing strategy for apparels and accessories from time to time in alignment with the market condition.

The impact of reduced revenue from apparels and accessories was, however, partially mitigated by an improved sales of own-branding sports shoes as well as increased ODM orders for sports shoes in conjunction with the gradual recovery in market demand.

The Group's gross profit for the current quarter under review stood at RMB24.71 million, lower by approximately 8.3% as compared to the preceding year corresponding quarter. This was primarily due to change in revenue composition where no sales of apparels and accessories was recorded during the current quarter under review. Historically, apparels and accessories fetched a higher margin as compared to sports shoes.

The Group's gross profit for the current financial year under review stood at RMB83.93 million, lower by approximately 18.7% as compared to the preceding year in line with the moderation in sales performance.

### Profit Level

Our Group continued the profitability trend during the current quarter and financial year under review. The Group's net profit for the current quarter and financial year under review stood at RMB2.12 million and RMB6.93 million respectively, representing an improvement as compared to the preceding year corresponding period.

Despite lower sales recorded during the current financial year under review, the Group achieved an improvement in net profit primarily due to lower administrative expenses incurred during the current financial year under review as a result of non-recurrence of one-off employees' benefit expenses incurred in prior year in respect of ESOS granted to eligible employees.

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 will endeavour to maintain the Group's performance at a healthy level amid the economic uncertainties and challenges.



## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>Current quarter ended 31 December 2016 RMB'000</b>	<b>Preceding quarter ended 30 September 2016 RMB'000</b>
Revenue	150,874	124,727
Profit before taxation ("PBT")	<u>3,698</u>	<u>2,857</u>

Revenue for the current quarter under review improved by approximately 21.0% as compared to the preceding quarter ended 30 September 2016, from RMB124.73 million to RMB150.87 million. This was primarily attributable to increased sales of own-branding sports shoes as well as higher ODM orders recorded during the current quarter under review, as a result of growing market demands in preparation for the seasonal transition and upcoming festive seasons (Christmas and Chinese New Year).

PBT for the current quarter under review improved by RMB0.84 million or 29.4% as compared to the preceding quarter ended 30 September 2016, primarily attributable to the increase in gross profit by approximately RMB4.77 million as a result of higher sales recorded during the current quarter under review. The increase in gross profit was, however, partially offset by higher payroll costs incurred during the current quarter under review as a result of accrual made for staff bonuses and directors' fees.

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### B3. TAX EXPENSE

Taxation comprises the following:-

	<b>Quarter ended 31.12.2016 RMB'000</b>	<b>Quarter ended 31.12.2015 RMB'000</b>	<b>Year to date ended 31.12.2016 RMB'000</b>	<b>Year to date ended 31.12.2015 RMB'000</b>
Tax expenses	1,583	1,614	4,336	5,572
Effective tax rate	42.8%	97.3%	38.5%	45.0%

Tax expenses for the current quarter under review stood at RMB1.58 million, representing a marginal decrease of 1.9% as compared to RMB1.61 million in the preceding year corresponding quarter; whilst tax expenses for the current financial year under review stood at RMB4.34 million, representing a decrease of 22.1% as compared to RMB5.57 million in the preceding year.

As the Group's principal operations are carried out in China, the effective tax rate reported by the Group is generally correlated to the statutory tax rate applicable in China. During the current quarter and financial year under review, the effective tax rate stood at 42.8% and 38.5% respectively, higher than the prevailing statutory tax rate of 25% in China 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 profit recorded by the operating subsidiary of the Group; and
- (ii) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the China subsidiaries.

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#### **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 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.

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.

While the industry's outlook in the near term may remain relatively volatile exposed to the economic uncertainties, the Group is cautiously optimistic that the prospects remain promising in the medium and long term backed by the following factors:

- (i) Active measures and policies by the Chinese Government to accelerate the development of the domestic sports industry;
- (ii) Huge and rising population in China (particularly with the new two-child policy); and
- (iii) Rising awareness on healthy lifestyle and increasing participation by the general public in sport and exercise within China.

Barring any unforeseen circumstances, the Group expects the financial performance for the financial year ending 31 December 2017 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 31 December 2016 is as follows:

<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) 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	-	-	
		<u>54,777</u>	<u>33,836</u>	<u>20,941</u>		

<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) Purchase machinery and equipment for new design and production centre	Before December 2017	29,100	17,985	11,115	38.2	#
ii) Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
		<u>29,700</u>	<u>18,585</u>	<u>11,115</u>		

N1 *In line with the Group's strategic re-positioning of business focus, the Group is making appropriate alteration 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.*

# *Differential rate of deviation between RMB and RM was due to the fluctuations in exchange rate.*

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

### Rights Issue in 2014

The status of utilisation, as of 31 December 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 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 31 December 2016, the Group's outstanding borrowings liabilities are as follows:-

	<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	<b>Total RMB'000</b>
<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:-

	<b>Current quarter ended</b>		<b>Year to date ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	<u>2,115</u>	<u>45</u>	<u>6,934</u>	<u>6,798</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,695,482</u>	<u>2,695,480</u>	<u>2,695,480</u>	<u>2,510,872</u>
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	<u>0.078</u>	<u>0.002</u>	<u>0.257</u>	<u>0.271</u>

The basic earnings per ordinary share for the quarter and financial year ended 31 December 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 31 December 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 year 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 31 December 2016 are analysed as follows:

	<b>As at 31.12.2016 RMB'000</b>
The retained earnings of the Company and its subsidiaries:	
- Realised	652,197
- Unrealised	12
	<hr/> 652,209
Add: Consolidation adjustments	(43,242)
	<hr/>
Total Group retained earnings as per consolidated financial statements	<u><u>608,967</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 year 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 31.12.2016 RMB'000	Year to date ended 31.12.2016 RMB'000
Interest income	538	2,049
Interest expense	(99)	(438)
Depreciation and amortisation expenses	(3,829)	(15,306)
Foreign exchange gain/(loss)	81	12
Property, plant and equipment written off	-	(10)
(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
Exceptional items	N/A	N/A

### Remark

"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 RM0.6457 at 31 December 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 31.12.2016 RM'000	Quarter ended 31.12.2015 RM'000	Financial period ended 31.12.2016 RM'000	Financial period ended 31.12.2015 RM'000
Revenue	97,419	96,112	325,326	351,785
Cost of Sales	<u>(81,467)</u>	<u>(78,710)</u>	<u>(271,133)</u>	<u>(285,153)</u>
Gross Profit ("GP")	15,952	17,402	54,193	66,632
Other Income	422	761	1,331	1,774
Distribution Costs	(48)	(181)	(167)	(602)
Administrative and Other Expenses	(13,874)	(16,824)	(47,797)	(59,455)
Finance Costs	<u>(64)</u>	<u>(86)</u>	<u>(283)</u>	<u>(362)</u>
<b>Profit before Tax ("PBT")</b>	2,388	1,072	7,277	7,987
Tax Expense	<u>(1,022)</u>	<u>(1,042)</u>	<u>(2,800)</u>	<u>(3,598)</u>
<b>Profit For The Period ("PAT")</b>	<u>1,366</u>	<u>30</u>	<u>4,477</u>	<u>4,389</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>1,366</u>	<u>30</u>	<u>4,477</u>	<u>4,389</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>1,366</u>	<u>30</u>	<u>4,477</u>	<u>4,389</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>1,366</u>	<u>30</u>	<u>4,477</u>	<u>4,389</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.050	0.001	0.166	0.175
- Diluted (sen)	0.050	0.001	0.166	0.175

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

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	358,828	367,667
Land use rights	31,712	32,498
	390,540	400,165
<b>Current Assets</b>		
Inventories	4,746	4,635
Trade and other receivables	154,083	171,243
Current tax assets	1,004	1,254
Cash and cash equivalents	363,018	328,435
	522,851	505,567
<b>TOTAL ASSETS</b>	<b>913,391</b>	<b>905,732</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	101,962	159,282
Reserves	705,548	643,751
<b>TOTAL EQUITY</b>	<b>807,510</b>	<b>803,033</b>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	12,942	12,621
<b>Current Liabilities</b>		
Trade and other payables	86,482	83,621
Bank borrowings	6,457	6,457
	92,939	90,078
<b>TOTAL LIABILITIES</b>	<b>105,881</b>	<b>102,699</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>913,391</b>	<b>905,732</b>
<b>Net assets per share (RM)</b>	<b>0.30</b>	<b>0.32</b>



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

Quarter and year to date ended 31 December 2015	[----- Non-distributable -----]							Distributable		Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	ESOS Reserve 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 2015	451,479	-	-	-	30,790	22,622	(132,307)	21,567	(1)	370,914	765,064
Par value reduction	(316,035)	-	-	316,035	-	-	-	-	-	-	-
Share options granted under employees' share option scheme (ESOS)	-	-	8,458	-	-	-	-	-	-	-	8,458
Ordinary shares issued pursuant to:											
- Exercise of ESOS	23,835	9,742	(8,458)	-	-	-	-	-	-	-	25,119
- Exercise of warrants	3	*	-	-	*	-	-	-	-	-	3
Unexercised warrants lapsed	-	-	-	-	(15,309)	-	-	-	-	15,309	-
Transfer to statutory surplus reserve	-	-	-	-	-	903	-	-	-	(903)	-
Total comprehensive income for the financial year	-	-	-	-	-	-	-	-	-	4,389	4,389
At 31 December 2015	159,282	9,742	-	316,035	15,481	23,525	(132,307)	21,567	(1)	389,709	803,033



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

Quarter and year to date ended 31 December 2016 <sup>(1)</sup>	[----- 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	159,282	9,742	316,035	15,481	23,525	(132,307)	21,567	(1)	389,709	803,033
Ordinary shares issued pursuant to:										
- Bonus issue	171,694	-	(171,694)	-	-	-	-	-	-	-
- Exercise of warrants	*	-	-	*	-	-	-	-	-	*
Par value reduction	(229,014)	-	229,014	-	-	-	-	-	-	-
Fair value of additional warrants issued pursuant to bonus issue of shares	-	-	-	37	-	-	-	-	(37)	-
Transfer to statutory surplus reserve	-	-	-	-	941	-	-	-	(941)	-
Total comprehensive income for the financial year	-	-	-	-	-	-	-	-	4,477	4,477
At 31 December 2016	101,962	9,742	373,355	15,518	24,466	(132,307)	21,567	(1)	393,208	807,510

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

	Financial year ended	
	31.12.2016 RM'000	31.12.2015 RM'000
Profit before tax	7,277	7,987
Adjustments for non-cash flow:-		
Non-cash items	9,882	18,548
Non-operating items	(1,040)	(991)
Operating profit before working capital changes	16,119	25,544
Changes in working capital		
Net change in current assets	17,049	(79,318)
Net change in current liabilities	2,861	28,998
Cash generated from operating activities	36,029	(24,776)
Income tax paid	(2,229)	(5,538)
Net cash generated from/(used in) operating activities	33,800	(30,314)
Investing activities		
Interest received	1,323	1,353
Proceeds from disposal of property, plant and equipment	-	87
Purchase of property, plant and equipment	(265)	(1,849)
Net cash generated from investing activities	1,058	(409)
Financing activities		
Proceeds from issuance of shares, net of expenses, pursuant to:		
- Exercise of employees' share option scheme ("ESOS")	-	25,495
- Exercise of warrants	-	3
Drawdown of borrowings	6,457	6,457
Repayment of borrowings	(6,457)	(6,457)
Interest paid	(283)	(362)
Net cash (used in)/generated from financing activities	(283)	25,136
Net change in cash and cash equivalents	34,575	(5,587)
Cash and cash equivalents at beginning of financial year	328,435	334,417
Effect of changes in foreign exchange rate	8	(395)
Cash and cash equivalents at end of financial year	363,018	328,435
Cash and cash equivalents at end of financial year		
Cash and bank balances	363,018	328,435