



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.9.2017 ⁽¹⁾ RMB'000	Quarter ended 30.9.2016 RMB'000	Financial period ended 30.9.2017 ⁽¹⁾ RMB'000	Financial period ended 30.9.2016 RMB'000
Revenue	145,008	124,727	418,344	352,960
Cost of Sales	(119,219)	(104,783)	(346,325)	(293,737)
Gross Profit ("GP")	25,789	19,944	72,019	59,223
Other Income	585	529	1,684	1,511
Distribution Costs	(61)	(163)	(169)	(288)
Administrative and Other Expenses	(17,938)	(17,340)	(53,173)	(52,535)
Finance Costs	(58)	(113)	(253)	(339)
Profit before Tax ("PBT")	8,317	2,857	20,108	7,572
Tax Expense	(2,622)	(1,023)	(6,336)	(2,753)
Profit For The Period ("PAT")	5,695	1,834	13,772	4,819
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	5,695	1,834	13,772	4,819
Profit attributable to:				
Equity holders of the parent	5,695	1,834	13,772	4,819
Total Comprehensive Income attributable to:				
Equity holders of the parent	5,695	1,834	13,772	4,819
Earnings per share attributable to equity holders of the parent				
- Basic ⁽²⁾ (RMB cent)	0.85	0.27 [^]	2.04	0.72 [^]
- Diluted ⁽²⁾ (RMB cent)	0.76	0.27	1.84	0.72

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 2016 and the accompanying explanatory notes attached to this interim financial report.

(2) Refer Note B9 for further details.

Remark

[^] The basic earnings per share for the quarter and financial period ended 30 September 2016 have been adjusted, taking into account the effects of the share consolidation completed on 18 May 2017. The effect of share consolidation was reflected in accordance with MFRS 133, where the earnings per share calculations for all periods shall be adjusted retrospectively.



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

	As at 30.9.2017 ⁽¹⁾ RMB'000	As at 31.12.2016 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	545,843	555,720
Land use rights	48,200	49,113
	594,043	604,833
Current Assets		
Inventories	6,580	7,350
Trade and other receivables (Note @)	209,071	238,629
Current tax assets	953	1,555
Cash and cash equivalents	595,633	562,208
	812,237	809,742
TOTAL ASSETS	1,406,280	1,414,575
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	157,909	157,909
Reserves	1,106,459	1,092,687
TOTAL EQUITY	1,264,368	1,250,596
Non-current Liabilities		
Deferred tax liabilities	20,797	20,044
Current Liabilities		
Trade and other payables (Note #)	121,115	133,935
Bank borrowings	-	10,000
	121,115	143,935
TOTAL LIABILITIES	141,912	163,979
TOTAL EQUITY AND LIABILITIES	1,406,280	1,414,575
Net assets per share (RMB)⁽²⁾	1.876	1.856

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 2016 and the accompanying explanatory notes attached to this interim financial report.

(2) Calculated based on the number of ordinary shares outstanding (excluding treasury shares) as at the end of the respective financial period(s). The number of ordinary shares outstanding (excluding treasury shares) as at 31 December 2016 have been adjusted, taking into account the effects of the share consolidation completed on 18 May 2017.

Remark

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

(#) Average credit terms granted by trade payables to the Group are 120 days.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Quarter and period ended 30 September 2016	Non-distributable							Distributable		Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital redemption 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	
Balance at 1 January 2016	246,681	15,087	489,446	23,975	36,432	(204,906)	33,401	(1)	603,547	1,243,662
Total comprehensive income	-	-	-	-	-	-	-	-	4,819	4,819
Transactions with owners										
Ordinary shares issued pursuant to:										
- Bonus Issue	265,903	-	(265,903)	-	-	-	-	-	-	-
- Exercise of Warrants	*	-	-	*	-	-	-	-	-	-
Fair value on additional warrants issued pursuant to bonus issue of shares	-	-	-	57	-	-	-	-	(57)	-
Par value reduction	(354,675)		354,675							
Transfer to statutory surplus reserve	-	-	-	-	913	-	-	-	(913)	-
Balance at 30 September 2016	157,909	15,087	578,218	24,032	37,345	(204,906)	33,401	(1)	607,396	1,248,481

Remark

* Less than RMB1,000



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

Quarter and period ended 30 September 2017	Non-distributable							Distributable		Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital redemption 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	
Balance at 1 January 2017	157,909	15,087	578,218	24,032	37,889	(204,906)	33,401	(1)	608,967	1,250,596
Total comprehensive income	-	-	-	-	-	-	-	-	13,772	13,772
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	1,675	-	-	-	(1,675)	-
Balance at 30 September 2017	157,909	15,087	578,218	24,032	39,564	(204,906)	33,401	(1)	621,064	1,264,368

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 2016 and the accompanying explanatory notes attached to this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Financial period ended	
	30.9.2017 ⁽¹⁾ RMB'000	30.9.2016 RMB'000
Profit before tax	20,108	7,572
Adjustments for non-cash flow:-		
Non-cash items	11,489	11,556
Non-operating items	(1,431)	(1,172)
Operating profit before working capital changes	30,166	17,956
Changes in working capital		
Net change in current assets	30,328	38,479
Net change in current liabilities	(12,820)	(21,059)
Cash generated from operating activities	47,674	35,376
Income tax paid	(4,981)	(2,032)
Net cash from operating activities	42,693	33,344
Investing activities		
Interest received	1,684	1,511
Purchase of property, plant and equipment	(699)	(350)
Net cash from investing activities	985	1,161
Financing activities		
Interest paid	(253)	(339)
Repayment of bank borrowing	(10,000)	-
Proceeds from issuance of shares, net of expenses	-	*
Net cash used in financing activities	(10,253)	(339)
Net change in cash and cash equivalents	33,425	34,166
Cash and cash equivalents at beginning of financial period	562,208	508,649
Effect of changes in foreign exchange rate	*	(69)
Cash and cash equivalents at end of financial period	595,633	542,746
Cash and cash equivalents at end of financial period		
Cash and bank balances	595,633	542,746

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 2016 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 2016 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 understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

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 financial year ended 31 December 2016, 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 2017

- Amendments to MFRS 12 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

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 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
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 2016 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:

- *Proposed Share Consolidation*

On 31 March 2017, the Company announced the proposal to undertake a share consolidation involving consolidation of every four (4) ordinary shares of USD0.01 each in the Company ("Share") into one (1) ordinary shares of USD0.04. ("Proposed Share Consolidation").

The Proposed Share Consolidation was subsequently approved by the shareholders of the Company at a Special General Meeting held on 28 April 2017; and had been completed on 18 May 2017 following the listing and quotation of the consolidated shares on the Main Market of Bursa Securities.

- *Proposed Bonus Issue*

The Company had, on 15 November 2017, proposed to undertake a bonus issue of up to 894,179,400 new ordinary shares of USD0.04 each in the Company ("XDL Shares") ("Bonus Shares") on the basis of one (1) Bonus Share for every one (1) existing XDL Share held by entitled shareholders of the Company on an entitlement date to be determined and announced later ("Proposed Bonus Issue"). Relevant announcement has been made to Bursa Securities.

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 and prior to the issuance of this interim report.

A7. DIVIDEND PAID

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review (*Quarter and financial period ended 30 September 2016: Nil*).

The Board has established a dividend policy commencing financial year ending 31 December 2017 to distribute up to 20% of the Company's profit after tax to its shareholders as dividend payment. The dividend payment will be made after taking into consideration, inter alia, cash availability, return on equity and the projected level of capital expenditures.



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 People's Republic of China ("PRC" or "China"). 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 2017			
Revenue	96,337	48,671	145,008
Interest income	585	*	585
Finance Cost	(58)	*	(58)
Net finance income/(expense)	527	*	527
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

* *Less than RMB1,000*



A8. SEGMENT INFORMATION (cont'd)

	Own branding manufacturer RMB'000	Original design manufacturer ("ODM") RMB'000	Total RMB'000
Financial period ended 30 September 2017			
Revenue	269,205	149,139	418,344
Interest income	1,678	6	1,684
Finance Cost	(252)	(1)	(253)
Net finance income/(expense)	1,426	5	1,431
Financial period 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

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 30.9.2017 RMB'000	Quarter ended 30.9.2016 RMB'000	Year to date ended 30.9.2017 RMB'000	Year to date ended 30.9.2016 RMB'000
Sports shoes	145,008	124,727	418,344	333,474
Sports apparels, accessories and equipment	-	-	-	19,486
	145,008	124,727	418,344	352,960



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 30.9.2017 RMB'000	Quarter ended 30.9.2016 RMB'000	Year to date ended 30.9.2017 RMB'000	Year to date ended 30.9.2016 RMB'000
Within the PRC:				
- Eastern region	7,045	5,783	19,611	17,289
- Southern region	77,250	67,803	228,625	174,300
- Western region	34,068	28,409	94,827	89,583
- Northern region	26,645	22,732	75,281	71,788
	145,008	124,727	418,344	352,960

A9. MATERIAL EVENTS

Save for the Proposed Bonus Issue as disclosed under Note A6, there is no other material event subsequent to the end of the current quarter that has not been reflected in this interim financial report or announced to Bursa Securities.

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

As at 30 September 2017, capital commitments not provided for in the financial statements are as follows:

	As at 30.9.2017 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>39,792</u>

A13. RELATED PARTY TRANSACTIONS

There was no related party transaction entered into by the Group during the current quarter and financial period under review (*Quarter and financial period ended 30 September 2016: Nil*).

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

B1. ANALYSIS OF PERFORMANCE

	Quarter ended		Changes	
	30.9.2017 RMB'000	30.9.2016 RMB'000	RMB'000	%
Revenue	145,008	124,727	20,281	16.26
Gross profit	25,789	19,944	5,845	29.31
Profit before tax	8,317	2,857	5,460	191.11
Profit after tax / Profit attributable to equity holders of the parent	5,695	1,834	3,861	210.52

	Year to date ended		Changes	
	30.9.2017 RMB'000	30.9.2016 RMB'000	RMB'000	%
Revenue	418,344	352,960	65,384	18.52
Gross profit	72,019	59,223	12,796	21.61
Profit before tax	20,108	7,572	12,536	165.56
Profit after tax / Profit attributable to equity holders of the parent	13,772	4,819	8,953	185.79

Revenue

Our Group recorded total sales of approximately RMB145.0 million and RMB418.3 million respectively during the current quarter and financial period under review, representing a growth of approximately 16.3% and 18.5% respectively as compared to preceding year corresponding quarter and period.

The improved sales performance was primarily volume-driven, contributed by the increased sales of sports shoes in line with the gradual recovery in market demand. Our Group recorded increase in quantities sold for both the own-branding manufacturer division and the ODM production division, as illustrated below:

- Total volume sold for our Group's own-branding sports shoes during the current quarter and financial period under review

	Quarter ended		Year to date ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Volume sold ('000 pairs)	1,205	1,008	3,360	2,909
Growth rate	19.54%		15.50%	



B1. ANALYSIS OF PERFORMANCE (cont'd)

- Total quantities sold under ODM production during the current quarter and financial period under review

	Quarter ended		Year to date ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Volume sold ('000 pairs)	755	694	2,321	1,581
Growth rate	8.79%		46.81%	

Profitability

Our Group's profitability for the current quarter and financial period under review demonstrated an overall improvement as compared to the preceding year corresponding quarter and period, in line with the enhanced sales performance.

Gross profit stood at RMB25.8 million and RMB72.0 million respectively for the current quarter and financial period under review, increased by approximately 29.3% and 21.6% as compared to the preceding year corresponding quarter and period.

Backed by the improved operating profit and active monitoring of costs, our Group's profit after tax for the current quarter and financial period under review rose to RMB5.7 million and RMB13.8 million respectively, reporting over 100% increase as compared to preceding year corresponding quarter and period.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		Changes	
	30 September 2017 RMB'000	30 June 2017 RMB'000	RMB'000	%
Revenue	145,008	139,593	5,415	3.88
Gross profit	25,789	24,271	1,518	6.25
Profit before tax	8,317	6,346	1,971	31.06
Profit after tax / Profit attributable to equity holders of the parent	5,695	4,322	1,373	31.77



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER (cont'd)

Revenue for the current quarter under review increased by approximately 3.9% to RMB145.0 million, from RMB139.6 million in the preceding quarter. This was primarily due to higher orders of own-branding sports shoes from the authorised distributors during the current quarter under review, in preparation for the upcoming national day holiday in China and the seasonal transition.

Backed by the improved sales performance, our Group's profit level enhanced further during the current quarter under review. Profit before tax for the current quarter under review increased by approximately 31.1% to RMB8.3 million, whilst the profit after tax climbed to RMB5.7 million reporting a growth of 31.8%.

ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	30 September 2017 RMB'000	30 June 2017 RMB'000
Trade receivables – third party	208,125	201,133

The normal credit terms granted by the Group is 120 days. As of 30 September 2017, the Group was not aware of any significant concern on the recoverability of the trade receivables.

Ageing analysis as at 30 September 2017:

	RMB'000
Neither past due nor impaired	208,125
Past due, not impaired	-
	208,125

B3. TAX EXPENSES

	Quarter ended 30.9.2017 RMB'000	Quarter ended 30.9.2016 RMB'000	Year to date ended 30.9.2017 RMB'000	Year to date ended 30.9.2016 RMB'000
Tax expenses	2,622	1,023	6,336	2,753
Effective tax rate	31.5%	35.8%	31.5%	36.4%



B3. TAX EXPENSES (cont'd)

In line with the Group's improved performance, tax expenses increased to RMB2.6 million and RMB6.3 million respectively for the current quarter and financial period under review, higher as compared to the preceding year corresponding quarter and period.

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 China. Our Group reported an effective tax rate of 31.5% for the current quarter and financial period under review respectively, higher than the prevailing statutory tax rate of 25% in China as a result of the following:

- (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 of the operating subsidiaries 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

Demands for sportswear within the China market are showing positive growth momentum, backed by the following favourable factors:

- (i) Active rebalancing measures and policies by the Chinese Government to shift towards a more consumption-based, service-orientated growth model. Sports industry has been identified as one of the core areas, where the Chinese Government has formulated policies and measures to accelerate the development of the domestic sports industry;
- (ii) Huge and rising population within China, complemented by an increasing disposable income per capita; and
- (iii) Increasing popularity of sports and rising participation levels, in line with the growing awareness on healthy lifestyle.

Our Group is cautiously optimistic that the prospects for the sportswear industry will remain promising, and expects the demands for sportswear within the domestic China market and the global markets to be on positive growth momentum in the medium and long term, in line with the steady economic growth in China and improving economic outlook and stronger activity for the advanced economies.

Barring any unforeseen circumstances, our Group expects the financial performance for the financial year ending 31 December 2017 to remain positive and showing growth.

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 2017 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 2018	29,100	18,276	10,824	37.2 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	18,876	10,824		

(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 2018	53,670	33,185	20,485	38.2 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	34,292	20,485		

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 2018.*

Differential rate of deviation between RMB and RM was due to 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 30 September 2017 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 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 did not have any outstanding borrowing as at 30 September 2017.

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	5,695	1,834	13,772	4,819
Weighted average number of ordinary shares in issue ('000)	673,870	673,870	673,870	673,870
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	0.85	0.27	2.04	0.72

The basic earnings per share for the quarter and financial period ended 30 September 2016 have been adjusted, taking into account the effects of the share consolidation completed on 18 May 2017. The effect of share consolidation 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 2017, the Group has 220,309,112 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 RM0.16 each (or RM equivalent of the par value of the Shares whichever is higher) respectively.

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 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 average volume-weighted market price during the current quarter under review was approximately RM0.26, exceeded the exercise price of the warrant.

The diluted earnings per share ("DEPS") is calculated as follows:-

	Current quarter ended		Financial period ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Diluted earnings per share				
Profit attributable to equity holders of the parent	5,695	1,834	13,772	4,819
Weighted average number of ordinary shares in issue ('000)	673,870	673,870	673,870	673,870
Number of shares under warrants ('000)	220,309	#	220,309	#
Number of shares that would have been issued at average market price ('000) ^	(144,048)	#	(144,048)	#
Adjusted weighted average number of ordinary shares outstanding ('000)	750,131	673,870	750,131	673,870
	RMB cent	RMB cent	RMB cent	RMB cent
DEPS	0.76	0.27	1.84	0.72

Remark

The diluted earnings per ordinary share is same as the basic earnings per share for the quarter and financial period ended 30 September 2016 as the effect of the assumed conversion of warrants outstanding was anti-dilutive at that point in time. No retrospective adjustment is to be made in accordance with MFRS 133.

^ Based on formula: $220,309 \text{ (number of shares under warrants)} \times \text{RM}0.17 \text{ (exercise price, being the par value of USD}0.04 \text{ translated based on RM}4.222/\text{USD}1.00) \div \text{RM}0.26 \text{ (average market price during the current quarter under review)}$.

B10. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS

The retained earnings of the Group as at 30 September 2017 are analysed as follows:

	As at 30.9.2017 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	665,047
- Unrealised	12
	<hr/> 665,059
Add: Consolidation adjustments	<hr/> (43,995)
Total retained earnings as per consolidated financial statements	<hr/> <hr/> 621,064

B11. FINANCIAL INSTRUMENTS

Derivatives

The Group does not have any derivative financial instruments.

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

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

B12. DISCLOSURE ON SELECTED EXPENSE/INCOME ITEMS AS REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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

	Quarter ended 30.9.2017 RMB'000	Year to date ended 30.9.2017 RMB'000
Interest income	585	1,684
Interest expense	(58)	(253)
Depreciation and amortisation expenses	(3,830)	(11,489)
Other income including investment income	N/A	N/A
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
(Gain)/Loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of assets	N/A	N/A
Foreign exchange gain/(loss)	N/A	N/A
(Gain)/Loss on derivatives	N/A	N/A
Exceptional items	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 RM0.6353 at 30 September 2017. 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 30.9.2017 RM'000	Quarter ended 30.9.2016 RM'000	Financial period ended 30.9.2017 RM'000	Financial period ended 30.9.2016 RM'000
Revenue	92,124	79,239	265,774	224,235
Cost of Sales	<u>(75,740)</u>	<u>(66,569)</u>	<u>(220,020)</u>	<u>(186,611)</u>
Gross Profit ("GP")	16,384	12,670	45,754	37,624
Other Income	372	336	1,070	960
Distribution Costs	(39)	(104)	(107)	(183)
Administrative and Other Expenses	(11,396)	(11,016)	(33,781)	(33,375)
Finance Costs	<u>(37)</u>	<u>(72)</u>	<u>(161)</u>	<u>(215)</u>
Profit before Tax ("PBT")	5,284	1,814	12,775	4,811
Tax Expense	<u>(1,666)</u>	<u>(650)</u>	<u>(4,025)</u>	<u>(1,749)</u>
Profit For The Period ("PAT")	<u>3,618</u>	<u>1,164</u>	<u>8,750</u>	<u>3,062</u>
Other Comprehensive Income:				
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>
Total Comprehensive Income	<u>3,618</u>	<u>1,164</u>	<u>8,750</u>	<u>3,062</u>
Profit attributable to:				
Equity holders of the parent	<u>3,618</u>	<u>1,164</u>	<u>8,750</u>	<u>3,062</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>3,618</u>	<u>1,164</u>	<u>8,750</u>	<u>3,062</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.54	0.17	1.30	0.46
- Diluted (sen)	0.48	0.17	1.17	0.46



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

	As at 30.9.2017 ⁽¹⁾ RM'000	As at 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	346,774	353,049
Land use rights	30,621	31,201
	377,395	384,250
Current Assets		
Inventories	4,180	4,669
Trade and other receivables	132,823	151,601
Current tax assets	606	988
Cash and cash equivalents	378,406	357,171
	516,015	514,429
TOTAL ASSETS	893,410	898,679
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	100,320	100,320
Reserves	702,934	694,184
TOTAL EQUITY	803,254	794,504
Non-current Liabilities		
Deferred tax liabilities	13,212	12,734
Current Liabilities		
Trade and other payables	76,944	85,088
Bank borrowings	-	6,353
	76,944	91,441
TOTAL LIABILITIES	90,156	104,175
TOTAL EQUITY AND LIABILITIES	893,410	898,679
Net assets per share (RM)	1.192	1.179



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

Quarter and period ended 30 September 2016	Non-distributable						Distributable		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Capital redemption 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
Balance at 1 January 2016	156,716	9,585	310,945	15,231	23,145	(130,177)	21,220	(1)	383,433	790,097
Total comprehensive income	-	-	-	-	-	-	-	-	3,062	3,062
Transactions with owners										
Ordinary shares issued pursuant to:										
- Bonus Issue	168,929	-	(168,929)	-	-	-	-	-	-	-
- Exercise of Warrants	*	-	-	*	-	-	-	-	-	-
Fair value on additional warrants issued pursuant to bonus issue of shares	-	-	-	36	-	-	-	-	(36)	-
Par value reduction	(225,325)		225,325							
Transfer to statutory surplus reserve	-	-	-	-	580	-	-	-	(580)	-
Balance at 30 September 2016	100,320	9,585	367,341	15,267	23,725	(130,177)	21,220	(1)	385,879	793,159



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

Quarter and period ended 30 September 2017	Non-distributable						Distributable		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Capital redemption 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
Balance at 1 January 2017	100,320	9,585	367,342	15,268	24,070	(130,177)	21,220	(1)	386,877	794,504
Total comprehensive income	-	-	-	-	-	-	-	-	8,750	8,750
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	1,064	-	-	-	(1,064)	-
Balance at 30 September 2017	100,320	9,585	367,342	15,268	25,134	(130,177)	21,220	(1)	394,563	803,254



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

	Financial period ended	
	30.9.2017 ⁽¹⁾ RM'000	30.9.2016 RM'000
Profit before tax	12,775	4,811
Adjustments for non-cash flow:-		
Non-cash items	7,299	7,342
Non-operating items	(909)	(745)
Operating profit before working capital changes	19,165	11,408
Changes in working capital		
Net change in current assets	19,267	24,446
Net change in current liabilities	(8,144)	(13,379)
Cash generated from operating activities	30,288	22,475
Income tax paid	(3,165)	(1,291)
Net cash from operating activities	27,123	21,184
Investing activities		
Interest received	1,070	960
Purchase of property, plant and equipment	(444)	(222)
Net cash from investing activities	626	738
Financing activities		
Interest paid	(161)	(215)
Repayment of bank borrowing	(6,353)	-
Proceeds from issuance of shares, net of expenses	-	*
Net cash used in financing activities	(6,514)	(215)
Net change in cash and cash equivalents	21,235	21,707
Cash and cash equivalents at beginning of financial period	357,171	323,145
Effect of changes in foreign exchange rate	*	(44)
Cash and cash equivalents at end of financial period	378,406	344,808
Cash and cash equivalents at end of financial period		
Cash and bank balances	378,406	344,808