



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2017 ⁽¹⁾ RMB'000	Quarter ended 30.6.2016 RMB'000	Financial period ended 30.6.2017 ⁽¹⁾ RMB'000	Financial period ended 30.6.2016 RMB'000
Revenue	139,593	117,324	273,336	228,233
Cost of Sales	(115,322)	(96,685)	(227,106)	(188,954)
Gross Profit ("GP")	24,271	20,639	46,230	39,279
Other Income	570	497	1,099	982
Distribution Costs	(60)	(60)	(108)	(125)
Administrative and Other Expenses	(18,337)	(18,453)	(35,235)	(35,195)
Finance Costs	(98)	(114)	(195)	(226)
Profit before Tax ("PBT")	6,346	2,509	11,791	4,715
Tax Expense	(2,024)	(912)	(3,714)	(1,730)
Profit For The Period ("PAT")	4,322	1,597	8,077	2,985
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	4,322	1,597	8,077	2,985
Profit attributable to:				
Equity holders of the parent	4,322	1,597	8,077	2,985
Total Comprehensive Income attributable to:				
Equity holders of the parent	4,322	1,597	8,077	2,985
Earnings per share attributable to equity holders of the parent				
- Basic ⁽²⁾ (RMB cent)	0.64	0.24 [^]	1.20	0.44 [^]
- Diluted ⁽²⁾ (RMB cent)	0.58	0.24	1.09	0.44

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 June 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 30.6.2017 ⁽¹⁾ RMB'000	As at 31.12.2016 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	548,670	555,720
Land use rights	48,504	49,113
	597,174	604,833
Current Assets		
Inventories	7,560	7,350
Trade and other receivables (Note @)	201,979	238,629
Current tax assets	1,747	1,555
Cash and cash equivalents	598,067	562,208
	809,353	809,742
TOTAL ASSETS	1,406,527	1,414,575
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	157,909	157,909
Reserves	1,100,764	1,092,687
TOTAL EQUITY	1,258,673	1,250,596
Non-current Liabilities		
Deferred tax liabilities	20,486	20,044
Current Liabilities		
Trade and other payables (Note #)	117,368	133,935
Bank borrowings	10,000	10,000
	127,368	143,935
TOTAL LIABILITIES	147,854	163,979
TOTAL EQUITY AND LIABILITIES	1,406,527	1,414,575
Net assets per share (RMB)⁽²⁾	1.868	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 June 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	-	-	-	-	-	-	-	-	2,985	2,985
Transactions with owners										
Ordinary shares issued pursuant to bonus issue	265,903	-	(265,903)	-	-	-	-	-	-	-
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	-	-	-	-	487	-	-	-	(487)	-
Balance at 30 June 2016	157,909	15,087	578,218	24,032	36,919	(204,906)	33,401	(1)	605,988	1,246,647



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

Quarter and period ended 30 June 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	-	-	-	-	-	-	-	-	8,077	8,077
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	982	-	-	-	(982)	-
Balance at 30 June 2017	157,909	15,087	578,218	24,032	38,871	(204,906)	33,401	(1)	616,062	1,258,673

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	
	30.6.2017 ⁽¹⁾ RMB'000	30.6.2016 RMB'000
Profit before tax	11,791	4,715
Adjustments for non-cash flow:-		
Non-cash items	7,659	7,727
Non-operating items	(904)	(756)
Operating profit before working capital changes	18,546	11,686
Changes in working capital		
Net change in current assets	36,440	46,129
Net change in current liabilities	(16,567)	(29,052)
Cash generated from operating activities	38,419	28,763
Income tax paid	(3,464)	(933)
Net cash from operating activities	34,955	27,830
Investing activities		
Interest received	1,099	982
Purchase of property, plant and equipment	-	(350)
Net cash from investing activities	1,099	632
Financing activities		
Interest paid	(195)	(226)
Net cash used in financing activities	(195)	(226)
Net change in cash and cash equivalents	35,859	28,236
Cash and cash equivalents at beginning of financial period	562,208	508,649
Cash and cash equivalents at end of financial period	598,067	536,885
Cash and cash equivalents at end of financial period		
Cash and bank balances	598,067	536,885

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
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.

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 (*Quarter and financial period ended 30 June 2016: Nil*).

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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 June 2017			
Revenue	90,635	48,958	139,593
Interest income	570	*	570
Finance Cost	(98)	*	(98)
Net finance income/(expense)	472	*	472
Quarter ended 30 June 2016			
Revenue	81,247	36,077	117,324
Interest income	484	13	497
Finance Cost	(112)	(1)	(113)
Net finance income/(expense)	372	12	384

* 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 June 2017			
Revenue	172,868	100,468	273,336
Interest income	1,093	6	1,099
Finance Cost	(194)	(1)	(195)
Net finance income/(expense)	899	5	904
Financial period ended 30 June 2016			
Revenue	171,910	56,323	228,233
Interest income	955	27	982
Finance Cost	(224)	(1)	(225)
Net finance income/(expense)	731	26	757

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

Revenue by products

	Quarter ended 30.6.2017 RMB'000	Quarter ended 30.6.2016 RMB'000	Year to date ended 30.6.2017 RMB'000	Year to date ended 30.6.2016 RMB'000
Sports shoes	139,593	117,324	273,336	208,747
Sports apparels, accessories and equipment	-	-	-	19,486
	139,593	117,324	273,336	228,233



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 30.6.2017 RMB'000	Quarter ended 30.6.2016 RMB'000	Year to date ended 30.6.2017 RMB'000	Year to date ended 30.6.2016 RMB'000
Within the PRC:				
- Eastern region	6,630	5,757	12,566	11,506
- Southern region	75,651	59,768	151,375	106,497
- Western region	31,706	29,041	60,759	61,174
- Northern region	25,606	22,758	48,636	49,056
	139,593	117,324	273,336	228,233

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 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

Capital commitments not provided for in the financial statements as at 30 June 2017 is as follows:

	As at 30.6.2017 RMB'000
Property, plant and equipment	
Approved but not contracted for	<u>40,248</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 June 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	
	30.6.2017 RMB'000	30.6.2016 RMB'000	RMB'000	%
Revenue	139,593	117,324	22,269	18.98
Gross profit	24,271	20,639	3,632	17.60
Profit before tax	6,346	2,509	3,837	152.93
Profit after tax / Profit attributable to equity holders of the parent	4,322	1,597	2,725	170.63
	Year to date ended		Changes	
	30.6.2017 RMB'000	30.6.2016 RMB'000	RMB'000	%
Revenue	273,336	228,233	45,103	19.76
Gross profit	46,230	39,279	6,951	17.70
Profit before tax	11,791	4,715	7,076	150.07
Profit after tax / Profit attributable to equity holders of the parent	8,077	2,985	5,092	170.59

Revenue

Our Group recorded an encouraging revenue growth during the current quarter and financial period under review, with total sales stood at approximately RMB139.6 million and RMB273.3 million respectively, representing an improvement of 19.0% and 19.8% respectively as compared to preceding year corresponding quarter and period.

The improved performance during the current quarter and financial period under review was primarily attributable to increased sales of sports shoes in line with the gradual recovery in market demand, backed by the following:

- (a) Higher sales of own-branding sports shoes as a result of increase in quantities sold. Total volume sold for our Group's own-branding sports shoes during the current quarter and financial period under review are detailed below:

	Quarter ended		Year to date ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Volume sold ('000 pairs)	1,131	1,012	2,155	1,901
Growth rate	11.76%		13.36%	



B1. ANALYSIS OF PERFORMANCE (cont'd)

Revenue

- (b) Increased orders for ODM production. Total quantities sold under ODM production during the current quarter and financial period under review are detailed below.

	Quarter ended		Year to date ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Volume sold ('000 pairs)	759	569	1,566	887
Growth rate	33.39%		76.55%	

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 RMB24.3 million and RMB46.2 million respectively for the current quarter and financial period under review, increased by approximately 17.6% and 17.7% 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 RMB4.3 million and RMB8.1 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 June 2017 RMB'000	31 March 2017 RMB'000	RMB'000	%
Revenue	139,593	133,743	5,850	4.37
Gross profit	24,271	21,959	2,312	10.53
Profit before tax	6,346	5,445	901	16.55
Profit after tax / Profit attributable to equity holders of the parent	4,322	3,755	567	15.10



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

Revenue for the current quarter under review rose by approximately 4.4% to RMB139.6 million, from RMB133.7 million in the preceding quarter. This was primarily due to increase in market activities during the current quarter under review, as compared to a moderation of overall market activities in the preceding quarter in conjunction with the Chinese New Year holidays.

In line with the improved sales performance, our Group recorded a growth in profitability for the current quarter under review. Profit before tax for the current quarter under review increased by 16.6% to RMB6.3 million; whilst the profit after tax climbed to RMB4.3 million reporting a growth of 15.1%.

ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	30 June 2017 RMB'000	31 March 2017 RMB'000
Trade receivables – third party	201,133	232,441

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

Ageing analysis as at 30 June 2017:

	RMB'000
Neither past due nor impaired	201,133
Past due, not impaired	-
	<u>201,133</u>

B3. TAX EXPENSES

	Quarter ended 30.6.2017 RMB'000	Quarter ended 30.6.2016 RMB'000	Year to date ended 30.6.2017 RMB'000	Year to date ended 30.6.2016 RMB'000
Tax expenses	<u>2,024</u>	<u>912</u>	<u>3,714</u>	<u>1,730</u>
Effective tax rate	<u>31.9%</u>	<u>36.3%</u>	<u>31.5%</u>	<u>36.7%</u>



B3. TAX EXPENSES (cont'd)

In line with the Group's improved performance, tax expenses increased to RMB2.0 million and RMB3.7 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 the PRC. During the current quarter and financial period under review, the effective tax rate stood at 31.9% and 31.5% respectively, higher than the prevailing statutory tax rate of 25% in the PRC. This was primarily attributable to the following factors:

- (i) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries; and
- (ii) 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 subsidiary of the Group; and

B4. OUTLOOK AND PROSPECTS

Our Group is cautiously optimistic that the prospects for the sportswear industry remain promising. Demands for sportswear within the domestic China market and the global markets are showing positive growth momentum.

Active measures and policies by the Chinese Government to promote the development of the domestic sports industry and boost domestic consumption, huge and rising population within China and increasing awareness on healthy lifestyle are amongst the favourable factors that underpin the industry growth in the medium and long term.

Demands for sportswear in the global markets are also estimated to be on positive growth momentum for the medium and long term, in line with the improving economic outlook for the advanced economies.

Although the industry is anticipated to experience certain degree of volatility in the near term, our 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 30 June 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 2017	29,100	17,985	11,115	38.2 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	18,585	11,115		

(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 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 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 June 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's borrowings consist of short term loans from financial institutions, all of which are arranged in the PRC and denominated in RMB.

As at 30 June 2017, 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	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	4,322	1,597	8,077	2,985
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	0.64	0.24	1.20	0.44

The basic earnings per share for the quarter and financial period ended 30 June 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 June 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 RM0.25, exceeded the exercise price of the warrant.

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

	Current quarter ended		Financial period ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Diluted earnings per share				
Profit attributable to equity holders of the parent	4,322	1,597	8,077	2,985
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) ^	(149,810)	#	(149,810)	#
Adjusted weighted average number of ordinary shares outstanding ('000)	744,369	673,870	744,369	673,870
	RMB cent	RMB cent	RMB cent	RMB cent
DEPS	0.58	0.24	1.09	0.44

Remark

The diluted earnings per ordinary share is same as the basic earnings per share for the quarter and financial period ended 30 June 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: $220,309 \text{ (number of shares under warrants)} \times \text{RM}0.17 \text{ (exercise price, being the par value of USD}0.04 \text{ translated based on RM}4.294/\text{USD}1.00) \div \text{RM}0.25 \text{ (average market price during the current quarter under review)}$.



B10. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS

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

	As at 30.6.2017 RMB'000
The retained earnings of the Company and its subsidiaries:	
- Realised	659,734
- Unrealised	12
	659,746
Add: Consolidation adjustments	(43,684)
	616,062

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 30.6.2017 RMB'000	Year to date ended 30.6.2017 RMB'000
Interest income	570	1,099
Interest expense	(98)	(195)
Depreciation and amortisation expenses	(3,829)	(7,659)
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 RM0.6345 at 30 June 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 30.6.2017 RM'000	Quarter ended 30.6.2016 RM'000	Financial period ended 30.6.2017 RM'000	Financial period ended 30.6.2016 RM'000
Revenue	88,572	74,442	173,432	144,814
Cost of Sales	<u>(73,172)</u>	<u>(61,347)</u>	<u>(144,098)</u>	<u>(119,891)</u>
Gross Profit ("GP")	15,400	13,095	29,334	24,923
Other Income	361	315	697	623
Distribution Costs	(38)	(38)	(69)	(79)
Administrative and Other Expenses	(11,635)	(11,708)	(22,357)	(22,331)
Finance Costs	<u>(62)</u>	<u>(72)</u>	<u>(124)</u>	<u>(143)</u>
Profit before Tax ("PBT")	4,026	1,592	7,481	2,993
Tax Expense	<u>(1,284)</u>	<u>(579)</u>	<u>(2,356)</u>	<u>(1,098)</u>
Profit For The Period ("PAT")	<u>2,742</u>	<u>1,013</u>	<u>5,125</u>	<u>1,895</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>2,742</u>	<u>1,013</u>	<u>5,125</u>	<u>1,895</u>
Profit attributable to:				
Equity holders of the parent	<u>2,742</u>	<u>1,013</u>	<u>5,125</u>	<u>1,895</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>2,742</u>	<u>1,013</u>	<u>5,125</u>	<u>1,895</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.41	0.15	0.76	0.28
- Diluted (sen)	0.37	0.15	0.69	0.28



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

	As at 30.6.2017 ⁽¹⁾ RM'000	As at 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	348,131	352,604
Land use rights	30,776	31,162
	378,907	383,766
Current Assets		
Inventories	4,797	4,664
Trade and other receivables	128,155	151,410
Current tax assets	1,108	987
Cash and cash equivalents	379,474	356,721
	513,534	513,782
TOTAL ASSETS	892,441	897,548
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	100,193	100,193
Reserves	698,435	693,310
TOTAL EQUITY	798,628	793,503
Non-current Liabilities		
Deferred tax liabilities	12,998	12,718
Current Liabilities		
Trade and other payables	74,470	84,982
Bank borrowings	6,345	6,345
	80,815	91,327
TOTAL LIABILITIES	93,813	104,045
TOTAL EQUITY AND LIABILITIES	892,441	897,548
Net assets per share (RM)	1.185	1.178



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

Quarter and period ended 30 June 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	156,519	9,573	310,553	15,212	23,116	(130,013)	21,193	(1)	382,951	789,103
Total comprehensive income	-	-	-	-	-	-	-	-	1,895	1,895
Transactions with owners										
Ordinary shares issued pursuant to bonus issue	168,715	-	(168,715)	-	-	-	-	-	-	-
Fair value on additional warrants issued pursuant to bonus issue of shares	-	-	-	36	-	-	-	-	(36)	-
Par value reduction	(225,041)	-	225,041	-	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	-	309	-	-	-	(309)	-
Balance at 30 June 2016	100,193	9,573	366,879	15,248	23,425	(130,013)	21,193	(1)	384,501	790,998



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

Quarter and period ended 30 June 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	100,193	9,573	366,879	15,248	24,041	(130,013)	21,193	(1)	386,390	793,503
Total comprehensive income	-	-	-	-	-	-	-	-	5,125	5,125
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	623	-	-	-	(623)	-
Balance at 30 June 2017	100,193	9,573	366,879	15,248	24,664	(130,013)	21,193	(1)	390,892	798,628



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

	Financial period ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Profit before tax	7,481	2,993
Adjustments for non-cash flow:-		
Non-cash items	4,859	4,902
Non-operating items	(573)	(480)
Operating profit before working capital changes	11,767	7,415
Changes in working capital		
Net change in current assets	23,122	29,269
Net change in current liabilities	(10,512)	(18,434)
Cash generated from operating activities	24,377	18,250
Income tax paid	(2,197)	(592)
Net cash from operating activities	22,180	17,658
Investing activities		
Interest received	697	623
Purchase of property, plant and equipment	-	(222)
Net cash from investing activities	697	401
Financing activities		
Interest paid	(124)	(143)
Net cash used in financing activities	(124)	(143)
Net change in cash and cash equivalents	22,753	17,916
Cash and cash equivalents at beginning of financial period	356,721	322,738
Cash and cash equivalents at end of financial period	379,474	340,654
Cash and cash equivalents at end of financial period		
Cash and bank balances	379,474	340,654