



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>1</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>3 – 4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>5</b>
<b>EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)</b>	<b>6 – 12</b>
<b>ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES</b>	<b>13 – 21</b>
<b>APPENDICES</b>	
<b>- FINANCIAL STATEMENTS TRANSLATED INTO RINGGIT MALAYSIA (FOR ILLUSTRATIVE PURPOSE ONLY)</b>	<b>22 – 27</b>



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31.12.2017 <sup>(1)</sup> RMB'000	Quarter ended 31.12.2016 RMB'000	Financial year ended 31.12.2017 <sup>(1)</sup> RMB'000	Financial year ended 31.12.2016 RMB'000 (audited)
Revenue	124,078	150,874	542,422	503,834
Cost of Sales	(103,197)	(126,169)	(449,522)	(419,906)
Gross Profit ("GP")	20,881	24,705	92,900	83,928
Other Income	596	654	2,280	2,061
Distribution Costs	(222)	(75)	(391)	(259)
Administrative and Other Expenses	(16,464)	(21,487)	(69,637)	(74,022)
Finance Costs	(48)	(99)	(301)	(438)
<b>Profit before Tax ("PBT")</b>	4,743	3,698	24,851	11,270
Tax Expense	(1,928)	(1,583)	(8,264)	(4,336)
<b>Profit For The Period ("PAT")</b>	2,815	2,115	16,587	6,934
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	2,815	2,115	16,587	6,934
<b>Profit attributable to:</b>				
Equity holders of the parent	2,815	2,115	16,587	6,934
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	2,815	2,115	16,587	6,934
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic <sup>(2)</sup> (RMB cent)	0.21	0.16	1.23	0.51
- Diluted <sup>(2)</sup> (RMB cent)	0.18	0.16	1.08	0.51

**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.



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	As at 31.12.2017 <sup>(1)</sup> RMB'000	As at 31.12.2016 RMB'000 (audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	549,572	555,720
Land use rights	47,895	49,113
	597,467	604,833
<b>Current Assets</b>		
Inventories	6,071	7,350
Trade and other receivables (Note @)	179,476	238,629
Current tax assets	1,672	1,555
Cash and cash equivalents	619,239	562,208
	806,458	809,742
<b>TOTAL ASSETS</b>	<b>1,403,925</b>	<b>1,414,575</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	157,909	157,909
Reserves	1,109,274	1,092,687
<b>TOTAL EQUITY</b>	<b>1,267,183</b>	<b>1,250,596</b>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	21,027	20,044
<b>Current Liabilities</b>		
Trade and other payables (Note #)	110,715	133,935
Bank borrowings	5,000	10,000
	115,715	143,935
<b>TOTAL LIABILITIES</b>	<b>136,742</b>	<b>163,979</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,403,925</b>	<b>1,414,575</b>
<b>Net assets per share (RMB) <sup>(2)</sup></b>	<b>0.940</b>	<b>0.928</b>

**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 2017 and 2016 have been adjusted, taking into account the effects of the share consolidation completed on 18 May 2017 and the bonus issue completed on 11 January 2018.*

**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 year ended 31 December 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	-	-	-	-	-	-	-	-	6,934	6,934
<b>Transactions with owners</b>										
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	-	-	-	-	1,457	-	-	-	(1,457)	-
Balance 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



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

Quarter and year ended 31 December 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	-	-	-	-	-	-	-	-	16,587	16,587
<b>Transactions with owners</b>										
Transfer to statutory surplus reserve	-	-	-	-	2,185	-	-	-	(2,185)	-
Balance at 31 December 2017	157,909	15,087	578,218	24,032	40,074	(204,906)	33,401	(1)	623,369	1,267,183

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 year ended	
	31.12.2017 <sup>(1)</sup> RMB'000	31.12.2016 RMB'000
Profit before tax	24,851	11,270
Adjustments for non-cash flow:-		
Non-cash items	15,813	15,304
Non-operating items	(1,979)	(1,611)
Operating profit before working capital changes	38,685	24,963
Changes in working capital		
Net change in current assets	60,432	26,404
Net change in current liabilities	(23,220)	4,430
Cash generated from operating activities	75,897	55,797
Income tax paid	(7,398)	(3,451)
Net cash from operating activities	68,499	52,346
Investing activities		
Interest received	2,280	2,049
Proceeds from disposal of property, plant and equipment	11	-
Purchase of property, plant and equipment	(8,458)	(410)
Net cash from investing activities	(6,167)	1,639
Financing activities		
Interest paid	(301)	(438)
Net repayment of bank borrowings	(5,000)	-
Proceeds from issuance of shares, net of expenses	-	*
Net cash used in financing activities	(5,301)	(438)
Net change in cash and cash equivalents	57,031	53,547
Cash and cash equivalents at beginning of financial period	562,208	508,649
Effect of changes in foreign exchange rate	*	12
Cash and cash equivalents at end of financial period	619,239	562,208
Cash and cash equivalents at end of financial period		
Cash and bank balances	619,239	562,208

*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
Amendments to MFRS 3 ( <i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i> )	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11 ( <i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i> )	1 January 2019
Amendments to MFRS 112 ( <i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i> )	1 January 2019
Amendments to MFRS 123 ( <i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i> )	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</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 year 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 year 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").

The Proposed Bonus Issue was subsequently approved by the shareholders of the Company at a Special General Meeting held on 26 December 2017, with the entitlement date fixed on 10 January 2018.



## **A6. DEBTS AND EQUITY SECURITIES (cont'd)**

- *Proposed Bonus Issue (cont'd)*

The Proposed Bonus Issue has been completed on 11 January 2018, following the listing of and quotation for 676,153,620 Bonus Shares and 218,025,780 additional Warrants C on the Main Market of Bursa Securities. 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 year 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 year under review (*Quarter and financial year ended 31 December 2016: Nil*).

## **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.

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

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

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

	<b>Own branding manufacturer RMB'000</b>	<b>Original design manufacturer ("ODM") RMB'000</b>	<b>Total RMB'000</b>
<b>Quarter ended 31 December 2017</b>			
Revenue	77,707	46,371	124,078
Interest income	595	1	596
Finance Cost	(48)	-	(48)
Net finance income/(expense)	547	1	548
<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>Financial year ended 31 December 2017</b>			
Revenue	346,912	195,510	542,422
Interest income	2,273	7	2,280
Finance Cost	(301)	-	(301)
Net finance income/(expense)	1,972	7	1,979
<b>Financial year 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



## A8. SEGMENT INFORMATION (cont'd)

### *Revenue by products*

	Quarter ended 31.12.2017 RMB'000	Quarter ended 31.12.2016 RMB'000	Year to date ended 31.12.2017 RMB'000	Year to date ended 31.12.2016 RMB'000
Sports shoes	124,078	150,874	542,422	484,348
Sports apparels, accessories and equipment	-	-	-	19,486
	<u>124,078</u>	<u>150,874</u>	<u>542,422</u>	<u>503,834</u>

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*

	Quarter ended 31.12.2017 RMB'000	Quarter ended 31.12.2016 RMB'000	Year to date ended 31.12.2017 RMB'000	Year to date ended 31.12.2016 RMB'000
Within the PRC:				
- Eastern region	5,562	7,212	25,173	24,501
- Southern region	69,178	81,971	297,803	256,271
- Western region	27,695	34,590	122,522	124,173
- Northern region	21,643	27,101	96,924	98,889
	<u>124,078</u>	<u>150,874</u>	<u>542,422</u>	<u>503,834</u>

## 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 year under review.

Subsequent to the end of financial year under review, on 8 February 2018, the Company incorporated a new wholly-owned subsidiary in Malaysia, namely XiDeLang Network Technology Sdn Bhd (“XDLNT”). The intended principal activity of XDLNT is to provide cloud services, internet marketing and E-Commerce services. Relevant announcement has been made to Bursa Securities.

#### **A11. CHANGES IN CONTINGENT LIABILITIES**

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

#### **A12. CAPITAL COMMITMENTS**

As at 31 December 2017, capital commitments not provided for in the financial statements are as follows:

	<b>As at 31.12.2017 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>32,201</u>

#### **A13. RELATED PARTY TRANSACTIONS**

There was no related party transaction entered into by the Group during the current quarter and financial year under review (*Quarter and financial year ended 31 December 2016: Nil*).

**[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]**



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

### B1. ANALYSIS OF PERFORMANCE

	Quarter ended		Changes	
	31.12.2017 RMB'000	31.12.2016 RMB'000	RMB'000	%
Revenue	124,078	150,874	(26,796)	-17.76
Gross profit	20,881	24,705	(3,824)	-15.48
Profit before tax	4,743	3,698	1,045	28.26
Profit after tax / Profit attributable to equity holders of the parent	2,815	2,115	700	33.10

  

	Year to date ended		Changes	
	31.12.2017 RMB'000	31.12.2016 RMB'000	RMB'000	%
Revenue	542,422	503,834	38,588	7.66
Gross profit	92,900	83,928	8,972	10.69
Profit before tax	24,851	11,270	13,581	120.51
Profit after tax / Profit attributable to equity holders of the parent	16,587	6,934	9,653	139.21

#### Revenue

For the current quarter under review, our Group's revenue stood at RMB124.1 million, lower by approximately 17.8% as compared to the preceding year corresponding quarter. This was primarily due to lower quantities of shoes sold during the current quarter under review, as the industry players were generally being conservative about the market spending sentiments and did not expect a huge growth in market demand.

Our Group recorded total sales of approximately RMB542.4 million during the current financial year under review, representing a growth of approximately 7.7% as compared to prior year. 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:

	Own branding manufacturer		ODM production	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Volume sold ('000 pairs)	4,330	4,129	3,040	2,414
Growth rate	4.87%		25.93%	



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

### Profitability

Our Group's gross profit for the current quarter under review stood at RMB20.9 million, lower by approximately 15.5% as compared to preceding year corresponding quarter. This was primarily due to the moderation of sales performance as explained above.

However, due to active monitoring of costs particularly on advertising expenses, our Group's profit after tax for the current quarter under review improved by 33.1% to RMB2.8 million from RMB2.1 million in the preceding year corresponding quarter.

In line with the improved sales performance, our Group's gross profit for the current financial year under review stood at RMB92.9 million, increased by approximately 10.7% as compared to prior year.

Backed by the improved operating profit and active monitoring of costs, our Group's profit after tax for the financial year under review rose to RMB16.6 million, reporting over 100% increase as compared to prior year.

## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		Changes	
	31 December 2017 RMB'000	30 September 2017 RMB'000	RMB'000	%
Revenue	124,078	145,008	(20,930)	-14.43
Gross profit	20,881	25,789	(4,908)	-19.03
Profit before tax	4,743	8,317	(3,574)	-42.97
Profit after tax / Profit attributable to equity holders of the parent	2,815	5,695	(2,880)	-50.57

Revenue for the current quarter under review stood at RMB124.1 million, lower by approximately 14.4% as compared to the preceding quarter ended 30 September 2017. This was primarily due to the orders of own-branding sports shoes from the authorised distributors eased back to normal level during the current quarter under review, as the industry players were generally being conservative about the market spending sentiments and did not expect a huge growth in market demand after the national holiday and seasonal transition shopping spree.

Due to the moderation of sales performance, our Group's profit after tax for the current quarter under review stood at RMB2.8 million, halved as compared to the preceding quarter ended 30 September 2017.



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

### ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	31 December 2017 RMB'000	30 September 2017 RMB'000
Trade receivables – third party	179,234	208,125

The normal credit terms granted by the Group is 120 days. As of 31 December 2017, the Group was not aware of any significant concern on the recoverability of the trade receivables. Ageing analysis as at 31 December 2017:

	RMB'000
Neither past due nor impaired	179,234
Past due, not impaired	-
	<u>179,234</u>

## B3. TAX EXPENSES

	Quarter ended 31.12.2017 RMB'000	Quarter ended 31.12.2016 RMB'000	Year to date ended 31.12.2017 RMB'000	Year to date ended 31.12.2016 RMB'000
Tax expenses	1,928	1,583	8,264	4,336
Effective tax rate	40.6%	42.8%	33.3%	38.5%

In line with the Group's improved profit, tax expenses increased to RMB1.9 million and RMB8.3 million respectively for the current quarter and financial year 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 40.6% and 33.3% for the current quarter and financial year 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**

Looking ahead, demands for sportswear within the China market are generally expected to be on gradual growth momentum, backed by the following favourable factors:

- (i) Supportive government policies, including Several Opinions on Accelerating the Development of Sports Industry to Promote Sports Consumption in 2014 and the National Fitness Program (2016-2020) in 2016 have effectively boosted the demand for sports products;
- (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. More consumers have started to undertake regular exercise, including retirees, working adults and students, giving rise to more frequent purchases of sportswear.

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 2018 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 2017 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)	Purchase machinery and equipment for new design and production centre	Before December 2018	29,100	19,424	9,676	33.3 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	20,024	9,676		

<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 2018	53,670	34,990	18,680	34.8 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	36,097	18,680		

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 31 December 2017 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 borrowing consists of short term loan from financial institution, arranged in the PRC and denominated in RMB.

As at 31 December 2017, the Group's outstanding borrowing is as follows:-

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
<b>Current (within 12 months)</b>			
Short term bank loan	5,000	-	5,000
	5,000	-	5,000

## 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 year ended	
	31.12.2017 RMB'000	31.12.2016 RMB'000	31.12.2017 RMB'000	31.12.2016 RMB'000
Profit attributable to equity holders of the parent	2,815	2,115	16,587	6,934
	'000	'000	'000	'000
Adjusted weighted average number of ordinary shares in issue	1,347,740 <sup>(b)</sup>	1,347,738 <sup>(a), (b)</sup>	1,347,740 <sup>(b)</sup>	1,347,738 <sup>(a), (b)</sup>
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	0.21	0.16	1.23	0.51

Remark:

<sup>(a)</sup> The basic earnings per share for the quarter and financial year ended 31 December 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.

<sup>(b)</sup> The basic earnings per share for the quarter and financial year ended 31 December 2017 and for the quarter and financial year ended 31 December 2016 have been adjusted, taking into account the effects of the bonus issue completed subsequent to the end of financial year under review (i.e. on 11 January 2018). 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 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 RM0.29, exceeded the exercise price of the warrant.

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

	Current quarter ended		Financial year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Diluted earnings per share</b>				
Profit attributable to equity holders of the parent	2,815	2,115	16,587	6,934
Weighted average number of ordinary shares in issue, prior to adjustment for bonus issue ('000)	673,870	673,869	673,870	673,869
Number of shares under warrants ('000)	220,309	#	220,309	#
Number of shares that would have been issued at average market price ('000) ^	(129,147)	#	(129,147)	#
	765,032	673,869	765,032	673,869
Adjustment for bonus issue (@)	765,032	673,869	765,032	673,869
Adjusted weighted average number of ordinary shares in issue ('000)	1,530,064	1,347,738	1,530,064	1,347,738
	RMB cent	RMB cent	RMB cent	RMB cent
DEPS	0.18	0.16	1.08	0.51

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

### (2) Diluted Earnings per Share ("DEPS") (cont'd)

*Remark:*

# The diluted earnings per ordinary share is same as the basic earnings per share for the quarter and financial year ended 31 December 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:  $220,309$  (number of shares under warrants)  $\times$   $RM0.17$  (exercise price, being the par value of  $USD0.04$  translated based on  $RM4.231/USD1.00$ )  $\div$   $RM0.29$  (average market price during the current quarter under review).

@ The weighted average number of ordinary shares in issue has been adjusted to take into account the effects of the bonus issue completed subsequent to the end of financial year under review (i.e. on 11 January 2018). 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.

## B10. 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 year under review.

## B11. 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 31.12.2017 RMB'000	Year to date ended 31.12.2017 RMB'000
Interest income	596	2,280
Interest expense	(48)	(301)
Depreciation and amortisation expenses	(3,858)	(15,347)
Foreign exchange gain/(loss)	9	9
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
(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 RM0.6216 at 31 December 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 31.12.2017 RM'000	Quarter ended 31.12.2016 RM'000	Financial year ended 31.12.2017 RM'000	Financial year ended 31.12.2016 RM'000
Revenue	77,127	93,783	337,170	313,183
Cost of Sales	<u>(64,147)</u>	<u>(78,427)</u>	<u>(279,423)</u>	<u>(261,014)</u>
Gross Profit ("GP")	12,980	15,356	57,747	52,169
Other Income	370	407	1,417	1,281
Distribution Costs	(138)	(47)	(243)	(161)
Administrative and Other Expenses	(10,234)	(13,356)	(43,286)	(46,012)
Finance Costs	<u>(30)</u>	<u>(62)</u>	<u>(187)</u>	<u>(272)</u>
<b>Profit before Tax ("PBT")</b>	2,948	2,298	15,448	7,005
Tax Expense	<u>(1,198)</u>	<u>(984)</u>	<u>(5,137)</u>	<u>(2,695)</u>
<b>Profit For The Period ("PAT")</b>	<u>1,750</u>	<u>1,314</u>	<u>10,311</u>	<u>4,310</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>1,750</u>	<u>1,314</u>	<u>10,311</u>	<u>4,310</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>1,750</u>	<u>1,314</u>	<u>10,311</u>	<u>4,310</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>1,750</u>	<u>1,314</u>	<u>10,311</u>	<u>4,310</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.13	0.10	0.76	0.32
- Diluted (sen)	0.11	0.10	0.67	0.32



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

	As at 31.12.2017 <sup>(1)</sup> RM'000	As at 31.12.2016 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	341,614	345,436
Land use rights	29,772	30,509
	<u>371,386</u>	<u>375,965</u>
<b>Current Assets</b>		
Inventories	3,774	4,568
Trade and other receivables	111,562	148,331
Current tax assets	1,039	967
Cash and cash equivalents	384,919	349,468
	<u>501,294</u>	<u>503,334</u>
<b>TOTAL ASSETS</b>	<b><u>872,680</u></b>	<b><u>879,299</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	98,156	98,156
Reserves	689,525	679,214
<b>TOTAL EQUITY</b>	<u>787,681</u>	<u>777,370</u>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	13,070	12,459
<b>Current Liabilities</b>		
Trade and other payables	68,821	83,254
Bank borrowings	3,108	6,216
	<u>71,929</u>	<u>89,470</u>
<b>TOTAL LIABILITIES</b>	<u>84,999</u>	<u>101,929</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>872,680</u></b>	<b><u>879,299</u></b>
<b>Net assets per share (RM)</b>	<u>0.584</u>	<u>0.577</u>



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

Quarter and year ended 31 December 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	153,337	9,378	304,239	14,903	22,646	(127,370)	20,762	(1)	375,166	773,060
Total comprehensive income	-	-	-	-	-	-	-	-	4,310	4,310
<b>Transactions with owners</b>										
Ordinary shares issued pursuant to:										
- Bonus Issue	165,285	-	(165,285)	-	-	-	-	-	-	-
- Exercise of Warrants	*	-	-	*	-	-	-	-	-	-
Fair value on additional warrants issued pursuant to bonus issue of shares	-	-	-	35	-	-	-	-	(35)	-
Par value reduction	(220,466)		220,466							
Transfer to statutory surplus reserve	-	-	-	-	906	-	-	-	(906)	-
Balance at 31 December 2016	98,156	9,378	359,420	14,938	23,552	(127,370)	20,762	(1)	378,535	777,370



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

Quarter and year ended 31 December 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	98,156	9,378	359,420	14,938	23,552	(127,370)	20,762	(1)	378,535	777,370
Total comprehensive income	-	-	-	-	-	-	-	-	10,311	10,311
<b>Transactions with owners</b>										
Transfer to statutory surplus reserve	-	-	-	-	1,358	-	-	-	(1,358)	-
Balance at 31 December 2017	98,156	9,378	359,420	14,938	24,910	(127,370)	20,762	(1)	387,488	787,681



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

	Financial year ended	
	30.12.2017 <sup>(1)</sup> RM'000	31.12.2016 RM'000
Profit before tax	15,448	7,005
Adjustments for non-cash flow:-		
Non-cash items	9,829	9,513
Non-operating items	(1,230)	(1,002)
Operating profit before working capital changes	24,047	15,516
Changes in working capital		
Net change in current assets	37,563	16,413
Net change in current liabilities	(14,433)	2,754
Cash generated from operating activities	47,177	34,683
Income tax paid	(4,598)	(2,145)
Net cash from operating activities	42,579	32,538
Investing activities		
Interest received	1,417	1,274
Proceeds from disposal of property, plant and equipment	7	-
Purchase of property, plant and equipment	(5,257)	(255)
Net cash from investing activities	(3,833)	1,019
Financing activities		
Interest paid	(187)	(272)
Repayment of bank borrowing	(3,108)	-
Proceeds from issuance of shares, net of expenses	-	*
Net cash used in financing activities	(3,295)	(272)
Net change in cash and cash equivalents	35,451	33,285
Cash and cash equivalents at beginning of financial period	349,468	316,176
Effect of changes in foreign exchange rate	*	7
Cash and cash equivalents at end of financial period	384,919	349,468
Cash and cash equivalents at end of financial period		
Cash and bank balances	384,919	349,468