



## **XiDeLang Holdings Ltd**

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

# **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018**

<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 31.3.2018 <sup>(1)</sup> RMB'000	Quarter ended 31.3.2017 RMB'000	Financial period ended 31.3.2018 <sup>(1)</sup> RMB'000	Financial period ended 31.3.2017 RMB'000
Revenue	102,817	133,743	102,817	133,743
Cost of Sales	(85,697)	(111,784)	(85,697)	(111,784)
Gross Profit ("GP")	17,120	21,959	17,120	21,959
Other Income	793	529	793	529
Distribution Costs	(43)	(48)	(43)	(48)
Administrative and Other Expenses	(11,276)	(16,898)	(11,276)	(16,898)
Finance Costs	(61)	(97)	(61)	(97)
<b>Profit before Tax ("PBT")</b>	6,533	5,445	6,533	5,445
Tax Expense	(1,984)	(1,690)	(1,984)	(1,690)
<b>Profit For The Period ("PAT")</b>	4,549	3,755	4,549	3,755
<b>Other Comprehensive Income:</b>				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
<b>Total Comprehensive Income</b>	4,549	3,755	4,549	3,755
<b>Profit attributable to:</b>				
Equity holders of the parent	4,549	3,755	4,549	3,755
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	4,549	3,755	4,549	3,755
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic <sup>(2)</sup> (RMB cent)	0.34	0.28	0.34	0.28
- Diluted <sup>(2)</sup> (RMB cent)	0.32	0.28	0.32	0.28

Note:

(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 2017 and the accompanying explanatory notes attached to this interim financial report.

(2) Kindly refer to Note B9 for further details.



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	As at 31.3.2018 <sup>(1)</sup> RMB'000	As at 31.12.2017 RMB'000 (audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	546,276	549,572
Land use rights	47,600	47,895
	593,876	597,467
<b>Current Assets</b>		
Inventories	3,904	6,071
Trade and other receivables (Note @)	148,344	179,476
Current tax assets	1,579	1,672
Cash and cash equivalents	633,586	619,239
	787,413	806,458
<b>TOTAL ASSETS</b>	<b>1,381,289</b>	<b>1,403,925</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	334,582	157,909
Reserves	936,595	1,109,274
<b>TOTAL EQUITY</b>	1,271,177	1,267,183
<b>Non-current Liabilities</b>		
Deferred tax liabilities	21,220	21,027
<b>Current Liabilities</b>		
Trade and other payables (Note #)	83,892	110,715
Bank borrowings	5,000	5,000
	88,892	115,715
<b>TOTAL LIABILITIES</b>	110,112	136,742
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,381,289</b>	<b>1,403,925</b>
<b>Net assets per share (RMB)<sup>(2)</sup></b>	0.940	0.940

**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 2017 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 have been adjusted, taking into account the effects of 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 period ended 31 March 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	-	-	-	-	-	-	-	-	3,755	3,755
<b>Transactions with owners</b>										
Transfer to statutory surplus reserve	-	-	-	-	495	-	-	-	(495)	-
Balance at 31 March 2017	157,909	15,087	578,218	24,032	38,384	(204,906)	33,401	(1)	612,227	1,254,351



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

Quarter and period ended 31 March 2018 <sup>(1)</sup>	Non-distributable						Distributable		Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital redemption 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 31 December 2017	157,909	15,087	578,218	40,074	(204,906)	33,401	(1)	647,401	1,267,183
Impact arising from adoption of MFRS 9 <sup>^</sup>	-	-	-	-	-	-	-	(1,154)	(1,154)
Balance at 1 January 2018	157,909	15,087	578,218	40,074	(204,906)	33,401	(1)	646,247	1,266,029
Total comprehensive income	-	-	-	-	-	-	-	4,549	4,549
<b>Transactions with owners</b>									
Ordinary shares issued pursuant to:									
- Exercise of warrants	593	6	-	-	-	-	-	-	599
- Bonus issue	176,080	(15,093)	(160,987)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	557	-	-	-	(557)	-
	176,673	(15,087)	(160,987)	557	-	-	-	(557)	599
Balance at 31 March 2018	334,582	-	417,231	40,631	(204,906)	33,401	(1)	650,239	1,271,177

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 2017 and the accompanying explanatory notes attached to this interim financial report.

Remark

<sup>^</sup> Kindly refer to Note A1 for further details.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Financial period ended	
	31.3.2018 <sup>(1)</sup> RMB'000	31.3.2017 RMB'000
Profit before tax	6,533	5,445
Adjustments for non-cash flow:-		
Non-cash items	3,662	3,830
Non-operating items	(539)	(432)
Operating profit before working capital changes	9,656	8,843
Changes in working capital		
Net change in current assets	32,338	4,337
Net change in current liabilities	(26,823)	(18,015)
Cash generated from operating activities	15,171	(4,835)
Income tax paid	(1,698)	(1,815)
Net cash (used in)/from operating activities	13,473	(6,650)
Investing activities		
Interest received	600	529
Purchase of property, plant and equipment	(264)	-
Net cash from investing activities	336	529
Financing activities		
Interest paid	(61)	(97)
Proceeds from issuance of shares pursuant to exercise of warrants	599	-
Net cash used in financing activities	538	(97)
Net change in cash and cash equivalents	14,347	(6,218)
Cash and cash equivalents at beginning of financial period	619,239	562,208
Cash and cash equivalents at end of financial period	633,586	555,990
Cash and cash equivalents at end of financial period		
Cash and bank balances	633,586	555,990

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 2017 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 2017 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 2017.

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 2017, 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 2018

- Amendments to MFRS 1 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15
- Amendments to MFRS 128 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the above MFRS, Amendments to MFRSs and IC Interpretation did not have any significant financial impact to the Group upon their initial application, save as disclosed below.



## A1. BASIS OF PREPARATION (cont'd)

### **MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)**

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements for classification and measurement of financial instruments, impairment assessment based on Expected Credit Loss (“ECL”) model and hedge accounting.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate the comparative figures.

The adoption of MFRS 9 did not have any significant financial impact to the Group, save for the effect of applying impairment assessment based on the ECL model on trade receivables.

The Group has adopted the simplified approach in measuring the loss allowance for trade receivables. For the purpose of assessing the impairment on ECL model, the Group has applied the practical expedient by using a provision matrix, where trade receivables are grouped according to the ageing profile and taking into consideration the credit terms granted, historical trend of collection and current economic conditions of the market in which the Group operates.

The impact of adopting MFRS 9 to opening balances were as follows:

### **Statement of Financial Position**

	<b>Previously stated on 31.12.2017 RMB'000</b>	<b>Effects from adoption of MFRS 9 RMB'000</b>	<b>Restated balance on 1.1.2018 RMB'000</b>
<b>Assets</b>			
Trade receivables	179,234	(1,154)	178,080
<b>Equity</b>			
Retained earnings	647,401	(1,154)	646,247



## 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:

### Effective for annual periods commencing on or after 1 January 2019

MFRS 16 *Leases*

Amendments to MFRS 3 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 11 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 112 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 119 (*Plan Amendment, Curtailment or Settlement*)

Amendments to MFRS 123 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)

Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

### Effective for annual periods commencing on or after 1 January 2020

Amendments to MFRS 2 *Share-based Payment*

Amendments to MFRS 3 *Business Combinations*

Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*

Amendments to MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 101 *Presentation of Financial Statements*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Amendments to MFRS 134 *Interim Financial Reporting*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*

Amendments to MFRS 138 *Intangible Assets*

Amendments to IC Interpretation 12 *Service Concession Arrangements*

Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to IC Interpretation 132 *Intangible Assets – Web Site Costs*

### Effective for annual periods commencing on or after 1 January 2021

MFRS 17 *Insurance Contracts*

### Deferred

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 2017 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 financial quarter.

## **A6. DEBTS AND EQUITY SECURITIES**

Corporate proposals relating to debts and/or equity 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.

The Proposed Bonus Issue had 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 period under review.

## **A7. DIVIDEND PAID**

The Board of Directors did not recommend any payment of dividend during the current quarter (Quarter 1, 2017: 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.

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 and period ended 31 March 2018</b>			
Revenue	60,789	42,028	102,817
Interest income	600	*	600
Finance Cost	(60)	(1)	(61)
Net finance income/(expense)	540	(1)	539
<b>Quarter and period ended 31 March 2017</b>			
Revenue	82,233	51,510	133,743
Interest income	523	6	529
Finance Cost	(96)	(1)	(97)
Net finance income/(expense)	427	5	432

\* Less than RMB1,000



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

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

##### *Revenue by products*

	<b>Sales revenue by products</b>	
	<b>Quarter and period ended</b>	<b>Quarter and period ended</b>
	<b>31.3.2018</b>	<b>31.3.2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sports shoes	102,817	133,743

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*

	<b>Sales revenue by regions</b>	
	<b>Quarter and period ended</b>	<b>Quarter and period ended</b>
	<b>31.3.2018</b>	<b>31.3.2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within the PRC:		
- Eastern region	6,523	5,936
- Southern region	56,442	75,725
- Western region	21,834	29,053
- Northern region	18,018	23,029
	102,817	133,743



#### **A9. MATERIAL EVENTS**

Save for the Proposed Share Consolidation as disclosed under Note A6, there were no other material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

#### **A10. CHANGES IN THE COMPOSITION OF THE GROUP**

The Company had, on 8 February 2018, 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.

Save for the above, there were no other 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 31 March 2018 is as follows:

	<b>As at 31.3.2018 RMB'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>31,936</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 1, 2017: Nil).

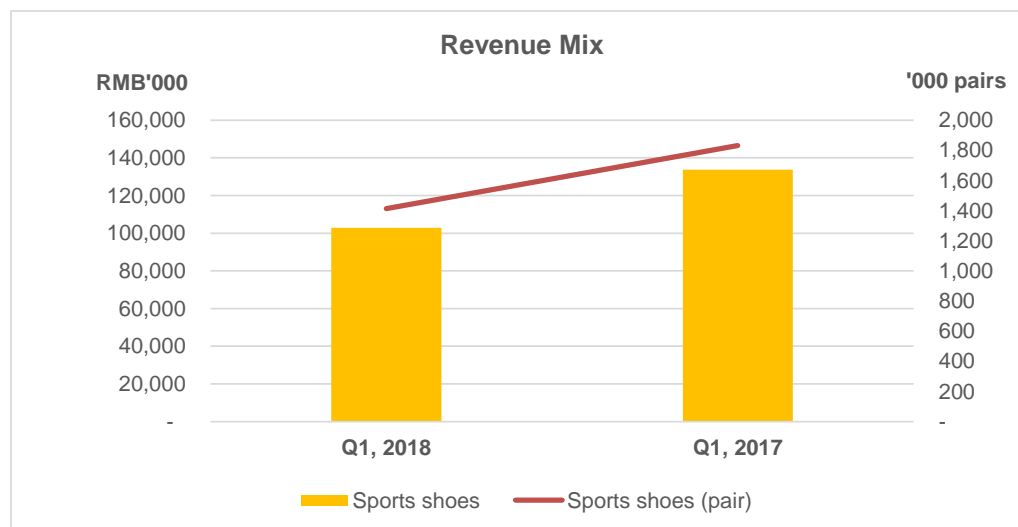
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## B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### B1. ANALYSIS OF PERFORMANCE

#### Revenue & Gross Profit

Our Group's total sales stood at RMB102.8 million for the current quarter under review, reduced by approximately 23.1% as compared to Quarter 1, 2017.



The moderation of sales performance during the current quarter under review was primarily due to lower sales volume as the industry players were generally more conservative about the market spending sentiments. Total quantities of sports shoes sold during the current quarter under review amounted to 1.41 million pairs (of which 0.76 million pairs were own-branding sports shoes), lower by approximately 23.0% as compared to 1.83 million pairs (of which 1.02 million pairs were own-branding sports shoes) sold in Quarter 1, 2017.

As a result of the decrease in sales, our Group's gross profit reduced to RMB17.1 million during the current quarter under review, lower by approximately 22.3% as compared to RMB22.0 million reported in Quarter 1, 2017.

#### Profit Level

Our Group's profit before tax ("PBT") and profit after tax ("PAT") for the current quarter under review stood at RMB6.5 million and RMB4.5 million respectively, improved by approximately 20.4% and 18.4% respectively as compared to Quarter 1, 2017. This was primarily due to lower administrative and other expenses incurred during the current quarter under review, in line with our Group's cost control initiatives, particularly on advertising expenses.



## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 31 March 2018 RMB'000	Preceding quarter ended 31 December 2017 RMB'000
Revenue	102,817	124,078
Profit before taxation ("PBT")	6,533	4,743

Revenue for the current quarter under review stood at RMB102.8 million, lower by approximately 17.2% or RMB21.3 million as compared to the preceding quarter ended 31 December 2017; primarily due to moderation of overall market activities within China in conjunction with the long holidays for celebration of Chinese New Year during the current quarter under review.

PBT for the current quarter under review, on contrast, improved by approximately 38.3% or RMB1.8 million as compared to the preceding quarter ended 31 December 2017. This was mainly due to higher administrative and other expenses recorded in the preceding quarter, as a result of accruals made for staff bonuses and directors' fees.

### ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended 31 March 2018 RMB'000	31 December 2017 RMB'000
Trade receivables – third party	149,205	179,234
Allowance for expected credit losses (in accordance with MFRS 9)	(961)	(1,154)

The normal credit terms granted by the Group is 120 days. As of 31 March 2018, the Group was not aware of any significant concern on the recoverability of the trade receivables. Ageing analysis as at 31 March 2018:

	RMB'000
Neither past due nor impaired	149,205
Past due, not impaired	-
	149,205



### B3. TAX EXPENSE

	Quarter and period ended 31.3.2018 RMB'000	Quarter and period ended 31.3.2017 RMB'000
Tax expense	1,984	1,690
Effective tax rate	30.4%	31.0%

In line with the improved PBT during the current quarter and financial period under review, tax expense increased to RMB2.0 million for the current quarter under review from RMB1.7 million in Quarter 1, 2017.

As our 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 under review, the effective tax rate stood at 30.4%, higher than the prevailing statutory tax rate of 25% in the PRC primarily due to:

- (i) Non-availability of Group's relief, where losses incurred by the investment holding entities within the Group were not allowed to be offset against the taxable profit of the operating subsidiary of the Group; and
- (ii) Additional deferred tax liabilities provided in relation to the expected withholding tax on undistributed profits of the PRC subsidiaries.

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#### **B4. OUTLOOK AND PROSPECTS**

Our Group believes that the prospects for the sportswear industry remain promising, although the industry outlook for the near term is anticipated to experience certain degree of volatility.

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 and initiatives which, amongst others, including Several Opinions on Accelerating the Development of Sports Industry to Promote Sports Consumption announced by the State Council of the People's Republic of China, the 13th Five-Year Plan announced by the General Administration of Sports of China and the National Fitness Campaign.

These policies and initiatives are expected to contribute positively to the sports industry growth in the medium and long term and propel the nation to achieve the following development targets set for 2016 - 2020:

- Enlarge the market size and employment size of China's sports industry to exceed RMB3 trillion and 6 million people;
  - Increase the industrial value-added contribution of the China's sports industry to 1.0% of the nation's GDP;
  - Increase the service-based value-added contribution to more than 30% of the overall industrial value-added contribution of the China's sports industry;
  - Expand the sports facilities and bases, per capita sports area to exceed 1.8m<sup>2</sup>; and
  - Increase the consumption value of sports to more than 2.5% of the disposable income per capita.
- (ii) Huge and rising population in China particularly with the implementation of two-child policy, complemented by rising disposable per capita income; 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.

Demands for sportswear in the global markets are also estimated to be on positive growth momentum for the medium and long term, backed by the increasing participation in sports activity for health and fitness and increasing purchasing power; propelling the needs for ODM production service.

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 March 2018 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	19,587	9,513	32.7 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	600	600	-	-	
			29,700	20,187	9,513		

(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	35,254	18,416	34.3 #	N1
ii)	Estimated expenses in relation to the Proposals	Immediate	1,107	1,107	-	-	
			54,777	36,361	18,416		

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 March 2018 is as follows:

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

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

N2 *The utilisation for the funds raised is expected to be within three (3) years from the commencement of Stage 2 Construction. All the funds are currently kept in the Group's banking account maintained with the Industrial and Commercial Bank of China.*



## B7. BORROWINGS

The Group's borrowings consist of short term loan from financial institutions, arranged in the PRC and denominated in RMB.

As at 31 March 2018, the Group's outstanding borrowings liabilities are as follows:-

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

## B8. CHANGES IN MATERIAL LITIGATION

As at date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

## B9. EARNINGS PER SHARE

### (1) Basic Earnings per Share ("BEPS")

The basic earnings per share ("BEPS") is calculated as follows:-

	Current quarter ended		Financial period ended	
	31.3.2018 RMB'000	31.3.2017 RMB'000	31.3.2018 RMB'000	31.3.2017 RMB'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	<u>4,549</u>	<u>3,755</u>	<u>4,549</u>	<u>3,755</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,351,952</u>	<u>1,347,740</u>	<u>1,351,952</u>	<u>1,347,740</u>
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
BEPS	<u>0.34</u>	<u>0.28</u>	<u>0.34</u>	<u>0.28</u>

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

### (2) Diluted Earnings per Share ("DEPS")

As of 31 March 2018, the Group has 436,051,560 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 only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants (i.e. they are 'in the money'). The average volume-weighted market price during the current quarter under review was approximately RM0.18, exceeded the exercise price of the warrant.

	Current quarter ended		Financial year ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Diluted earnings per share</b>				
Profit attributable to equity holders of the parent	4,549	3,755	4,549	3,755
Weighted average number of ordinary shares in issue ('000)	1,351,952	1,347,740	1,351,952	1,347,740
Number of shares under warrants ('000)	436,052	#	436,052	#
Number of shares that would have been issued at average market price ('000) ^	(387,602)	#	(387,602)	#
Adjusted weighted average number of ordinary shares in issue ('000)	1,400,402	1,347,740	1,400,402	1,347,740
	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>	<b>RMB cent</b>
DEPS	0.32	0.28	0.32	0.28

Remark:

# The diluted earnings per ordinary share is same as the basic earnings per share for the quarter and financial period ended 31 March 2017 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: 436,052 (number of shares under warrants) x RM0.16 (exercise price) ÷ RM0.18 (average market price during the current quarter under review).



## 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 period 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:

	<b>Quarter and period ended 31.3.2018 RMB'000</b>
Interest income	600
Interest expense	(61)
Depreciation and amortisation expenses	(3,855)
Reversal of allowance for expected credit losses	193
Exceptional items	N/A
Foreign exchange gain/ (loss)	N/A
(Gain)/Loss on disposal of quoted or unquoted investments or properties	N/A
(Gain)/Loss on derivatives	N/A
Impairment of assets	N/A
Provision for and write off of receivables	N/A
Provision for and write off of inventories	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 RM0.6157 at 31 March 2018. 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 31.3.2018 RM'000	Quarter ended 31.3.2017 RM'000	Financial period ended 31.3.2018 RM'000	Financial period ended 31.3.2017 RM'000
Revenue	63,304	82,346	63,304	82,346
Cost of Sales	<u>(52,763)</u>	<u>(68,825)</u>	<u>(52,763)</u>	<u>(68,825)</u>
Gross Profit ("GP")	10,541	13,521	10,541	13,521
Other Income	488	326	488	326
Distribution Costs	(26)	(30)	(26)	(30)
Administrative and Other Expenses	(6,942)	(10,404)	(6,942)	(10,404)
Finance Costs	<u>(38)</u>	<u>(60)</u>	<u>(38)</u>	<u>(60)</u>
<b>Profit before Tax ("PBT")</b>	4,023	3,353	4,023	3,353
Tax Expense	<u>(1,222)</u>	<u>(1,041)</u>	<u>(1,222)</u>	<u>(1,041)</u>
<b>Profit For The Period ("PAT")</b>	<u>2,801</u>	<u>2,312</u>	<u>2,801</u>	<u>2,312</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>2,801</u>	<u>2,312</u>	<u>2,801</u>	<u>2,312</u>
<b>Profit attributable to:</b>				
Equity holders of the parent	<u>2,801</u>	<u>2,312</u>	<u>2,801</u>	<u>2,312</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent	<u>2,801</u>	<u>2,312</u>	<u>2,801</u>	<u>2,312</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
- Basic (sen)	0.21	0.17	0.21	0.17
- Diluted (sen)	0.20	0.17	0.20	0.17





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

	<b>As at 31.3.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	336,342	338,371
Land use rights	29,307	29,489
	<u>365,649</u>	<u>367,860</u>
<b>Current Assets</b>		
Inventories	2,404	3,738
Trade and other receivables	91,336	110,504
Current tax assets	972	1,029
Cash and cash equivalents	390,099	381,266
	<u>484,811</u>	<u>496,537</u>
<b>TOTAL ASSETS</b>	<b><u>850,460</u></b>	<b><u>864,397</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	206,002	97,225
Reserves	576,662	682,980
<b>TOTAL EQUITY</b>	<u>782,664</u>	<u>780,205</u>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	13,065	12,946
<b>Current Liabilities</b>		
Trade and other payables	51,652	68,167
Bank borrowings	3,079	3,079
	<u>54,731</u>	<u>71,246</u>
<b>TOTAL LIABILITIES</b>	<u>67,796</u>	<u>84,192</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>850,460</u></b>	<b><u>864,397</u></b>
<b>Net assets per share (RM)</b>	<u>0.579</u>	<u>0.579</u>



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

Quarter and period ended 31 March 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	97,225	9,289	356,009	14,797	23,328	(126,161)	20,565	(1)	374,941	769,992
Total comprehensive income	-	-	-	-	-	-	-	-	2,312	2,312
<b>Transactions with owners</b>										
Transfer to statutory surplus reserve	-	-	-	-	305	-	-	-	(305)	-
Balance at 31 March 2017	97,225	9,289	356,009	14,797	23,633	(126,161)	20,565	(1)	376,948	772,304



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

Quarter and period ended	Non-distributable						Distributable		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption 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	
31 March 2018									
Balance at 31 December 2017	97,225	9,289	356,009	24,674	(126,161)	20,565	(1)	398,605	780,205
Impact arising from adoption of MFRS 9 <sup>^</sup>	-	-	-	-	-	-	-	(711)	(711)
Balance at 1 January 2018	97,225	9,289	356,009	24,674	(126,161)	20,565	(1)	397,894	779,494
Total comprehensive income	-	-	-	-	-	-	-	2,801	2,801
<b>Transactions with owners</b>									
Ordinary shares issued pursuant to:									
- Exercise of warrants	365	4	-	-	-	-	-	-	369
- Bonus issue	108,412	(9,293)	(99,119)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	343	-	-	-	(343)	-
	108,777	(9,289)	(99,119)	343	-	-	-	(343)	369
Balance at 31 March 2018	206,002	-	256,890	25,017	(126,161)	20,565	(1)	400,352	782,664



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

	Financial period ended	
	31.3.2018 RM'000	31.3.2017 RM'000
Profit before tax	4,023	3,353
Adjustments for non-cash flow:-		
Non-cash items	2,255	2,358
Non-operating items	(331)	(266)
Operating profit before working capital changes	5,947	5,445
Changes in working capital		
Net change in current assets	19,910	2,670
Net change in current liabilities	(16,515)	(11,092)
Cash generated from operating activities	9,342	(2,977)
Income tax paid	(1,046)	(1,117)
Net cash (used in)/from operating activities	8,296	(4,094)
Investing activities		
Interest received	369	326
Purchase of property, plant and equipment	(163)	-
Net cash from investing activities	206	326
Financing activities		
Interest paid	(38)	(60)
Proceeds from issuance of shares pursuant to exercise of warrants	369	-
Net cash used in financing activities	331	(60)
Net change in cash and cash equivalents	8,833	(3,828)
Cash and cash equivalents at beginning of financial period	381,266	346,151
Cash and cash equivalents at end of financial period	390,099	342,323
Cash and cash equivalents at end of financial period		
Cash and bank balances	390,099	342,323