



XiDeLang Holdings Ltd

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30.6.2018 ⁽¹⁾ RMB'000	Quarter ended 30.6.2017 RMB'000	Financial period ended 30.6.2018 ⁽¹⁾ RMB'000	Financial period ended 30.6.2017 RMB'000
Revenue	115,341	139,593	218,158	273,336
Cost of Sales	(94,146)	(115,322)	(179,843)	(227,106)
Gross Profit ("GP")	21,195	24,271	38,315	46,230
Other Income	548	570	1,341	1,099
Distribution Costs	(51)	(60)	(94)	(108)
Administrative and Other Expenses	(12,992)	(18,337)	(24,268)	(35,235)
Finance Costs	(61)	(98)	(122)	(195)
Profit before Tax ("PBT")	8,639	6,346	15,172	11,791
Tax Expense	(2,822)	(2,024)	(4,806)	(3,714)
Profit For The Period ("PAT")	5,817	4,322	10,366	8,077
Other Comprehensive Income:				
Foreign currency translations	-	-	-	-
Other Comprehensive Income, net of tax	-	-	-	-
Total Comprehensive Income	5,817	4,322	10,366	8,077
Profit attributable to:				
Equity holders of the parent	5,817	4,322	10,366	8,077
Total Comprehensive Income attributable to:				
Equity holders of the parent	5,817	4,322	10,366	8,077
Earnings per share attributable to equity holders of the parent				
- Basic ⁽²⁾ (RMB cent)	0.41	0.32	0.75	0.60
- Diluted ⁽²⁾ (RMB cent)	0.41	0.32	0.75	0.60

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 2017 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 30.6.2018 ⁽¹⁾ RMB'000	As at 31.12.2017 RMB'000 (audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	542,714	549,572
Land use rights	47,287	47,895
	590,001	597,467
Current Assets		
Inventories	4,891	6,071
Trade and other receivables (Note @)	163,803	179,476
Current tax assets	880	1,672
Cash and cash equivalents	721,663	619,239
	891,237	806,458
TOTAL ASSETS	1,481,238	1,403,925
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	414,152	157,909
Reserves	942,478	1,109,274
TOTAL EQUITY	1,356,630	1,267,183
Non-current Liabilities		
Deferred tax liabilities	21,552	21,027
Current Liabilities		
Trade and other payables (Note #)	98,056	110,715
Bank borrowings	5,000	5,000
	103,056	115,715
TOTAL LIABILITIES	124,608	136,742
TOTAL EQUITY AND LIABILITIES	1,481,238	1,403,925
Net assets per share (RMB)⁽²⁾	0.816	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 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 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



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

Quarter and period ended 30 June 2018 ⁽¹⁾	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 [^]	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	10,366	10,366
Transactions with owners									
Ordinary shares issued pursuant to:									
- Exercise of warrants	80,163	72	-	-	-	-	-	-	80,235
- Bonus issue	176,080	(15,093)	(160,987)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	1,294	-	-	-	(1,294)	-
	256,243	(15,021)	(160,987)	1,294	-	-	-	(1,294)	80,235
Balance at 30 June 2018	414,152	66	417,231	41,368	(204,906)	33,401	(1)	655,319	1,356,630

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

[^] Kindly refer to Note A1 for further details.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Financial period ended	
	30.6.2018 ⁽¹⁾ RMB'000	30.6.2017 RMB'000
Profit before tax	15,172	11,791
Adjustments for non-cash flow:-		
Non-cash items	7,632	7,659
Non-operating items	(1,121)	(904)
Operating profit before working capital changes	21,683	18,546
Changes in working capital		
Net change in current assets	15,797	36,440
Net change in current liabilities	(12,659)	(16,567)
Cash generated from operating activities	24,821	38,419
Income tax paid	(3,489)	(3,464)
Net cash from operating activities	21,332	34,955
Investing activities		
Interest received	1,243	1,099
Purchase of property, plant and equipment	(264)	-
Net cash from investing activities	979	1,099
Financing activities		
Interest paid	(122)	(195)
Proceeds from issuance of shares pursuant to exercise of warrants	80,235	-
Net cash from/(used in) financing activities	80,113	(195)
Net change in cash and cash equivalents	102,424	35,859
Cash and cash equivalents at beginning of financial period	619,239	562,208
Cash and cash equivalents at end of financial period	721,663	598,067
Cash and cash equivalents at end of financial period		
Cash and bank balances	721,663	598,067

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

	Previously stated on 31.12.2017 RMB'000	Effects from adoption of MFRS 9 RMB'000	Restated balance on 1.1.2018 RMB'000
Assets			
Trade receivables	179,234	(1,154)	178,080
Equity			
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 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 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 quarter and financial period under review.

A6. DEBTS AND 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.

▪ *Exercise of Warrants*

312,074,064 new ordinary shares of USD0.04 each were issued during the financial period under review pursuant to the exercise of warrants. Total proceeds received amounted to RMB79.91 million.

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 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:

	Own branding manufacturer RMB'000	Original design manufacturer ("ODM") RMB'000	Total RMB'000
Quarter ended 30 June 2018			
Revenue	65,446	49,895	115,341
Interest income	643	*	643
Finance Cost	(61)	*	(61)
Net finance income/(expense)	582	*	582
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

* 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 2018			
Revenue	126,235	91,923	218,158
Interest income	1,243	*	1,243
Finance Cost	(121)	(1)	(122)
Net finance income/(expense)	1,122	(1)	1,121
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

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 30.6.2018 RMB'000	Quarter ended 30.6.2017 RMB'000	Year to date ended 30.6.2018 RMB'000	Year to date ended 30.6.2017 RMB'000
Sports shoes	115,341	139,593	218,158	273,336

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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 30.6.2018 RMB'000	Quarter ended 30.6.2017 RMB'000	Year to date ended 30.6.2018 RMB'000	Year to date ended 30.6.2017 RMB'000
Within the PRC:				
- Eastern region	8,416	6,630	14,939	12,566
- Southern region	64,896	75,651	121,338	151,375
- Western region	23,258	31,706	45,092	60,759
- Northern region	18,771	25,606	36,789	48,636
	115,341	139,593	218,158	273,336

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

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 30 June 2018 is as follows:

	As at 30.6.2018 RMB'000
Property, plant and equipment	
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 and financial period ended 30 June 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

	Quarter ended		Changes	
	30.6.2018 RMB'000	30.6.2017 RMB'000	RMB'000	%
Revenue	115,341	139,593	(24,252)	-17.37
Gross profit	21,195	24,271	(3,076)	-12.67
Profit before tax	8,639	6,346	2,293	36.13
Profit after tax / Profit attributable to equity holders of the parent	5,817	4,322	1,495	34.59
	Year to date ended		Changes	
	30.6.2018 RMB'000	30.6.2017 RMB'000	RMB'000	%
Revenue	218,158	273,336	(55,178)	-20.19
Gross profit	38,315	46,230	(7,915)	-17.12
Profit before tax	15,172	11,791	3,381	28.67
Profit after tax / Profit attributable to equity holders of the parent	10,366	8,077	2,289	28.34

Revenue

Our Group recorded total revenue of approximately RMB115.34 million and RMB218.16 million respectively during the current quarter and financial period under review, decreased by 17.4% and 20.2% respectively as compared to preceding year corresponding quarter and period.

The moderation in sales performance during the current quarter and financial period under review was primarily due to softer demand for sports shoes, with lower quantities sold for both own-branding division as well as ODM production division as illustrated below:

▪ Own-Branding Division

	Quarter ended		Year to date ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Volume sold ('000 pairs)	813	1,131	1,573	2,155
Movement	-28.12%		-27.01%	



B1. ANALYSIS OF PERFORMANCE (cont'd)

▪ ODM Production Division

	Quarter ended		Year to date ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Volume sold ('000 pairs)	757	759	1,410	1,566
Movement	-0.26%		-9.96%	

Profitability

Our Group's gross profit stood at RMB21.2 million and RMB38.3 million respectively for the current quarter and financial period under review, lower by approximately 12.7% and 17.1% as compared to the preceding year corresponding quarter and period; as a result of lower sales recorded.

Notwithstanding the moderation in sales performance and gross profit, our Group's profit after tax for the current quarter and financial period under review rose to RMB5.8 million and RMB10.4 million respectively; mainly attributable to the active monitoring of costs by our Group. In particular, our Group has realigned the marketing strategy and revised downward the advertisement costs in view of the uncertainties within the operating environment, which has resulted in cost-saving of approximately RMB5.9 million and RMB11.7 million for the current quarter and financial period under review.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		Changes	
	30 June 2018 RMB'000	31 March 2018 RMB'000	RMB'000	%
Revenue	115,341	102,817	12,524	12.18
Gross profit	21,195	17,120	4,075	23.80
Profit before tax	8,639	6,533	2,106	32.24
Profit after tax / Profit attributable to equity holders of the parent	5,817	4,549	1,268	27.87



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

Revenue for the current quarter under review rose by approximately 12.2% to RMB115.3 million, from RMB102.8 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 32.2% to RMB8.6 million; whilst the profit after tax climbed to RMB5.8 million reporting a growth of 27.9%.

ADDITIONAL INFORMATION – TRADE RECEIVABLES

	Quarter ended	
	30 June 2018 RMB'000	31 March 2018 RMB'000
Trade receivables – third party	163,959	149,205
Allowance for expected credit loss	(1,056)	(961)
	<u>162,903</u>	<u>148,244</u>

The normal credit terms granted by the Group is 120 days. As of 30 June 2018, the Group was not aware of any significant concern on the recoverability of the trade receivables.

Ageing analysis as at 30 June 2018:

	RMB'000
Neither past due nor impaired	163,959
Past due, not impaired	-
	<u>163,959</u>

B3. TAX EXPENSES

	Quarter ended 30.6.2018 RMB'000	Quarter ended 30.6.2017 RMB'000	Year to date ended 30.6.2018 RMB'000	Year to date ended 30.6.2017 RMB'000
Tax expenses	<u>2,822</u>	<u>2,024</u>	<u>4,806</u>	<u>3,714</u>
Effective tax rate	<u>32.7%</u>	<u>31.9%</u>	<u>31.7%</u>	<u>31.5%</u>



B3. TAX EXPENSES (cont'd)

In line with the Group's improved performance, tax expenses increased to RMB2.8 million and RMB4.8 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 32.7% and 31.7% 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 subsidiaries of the Group.

B4. OUTLOOK AND PROSPECTS

Our Group is cautiously optimistic 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.

Demands for sportswear within the domestic China market and the global markets are expected to be gradual growth momentum, backed by the following catalysts:

- (i) Active measures and initiatives by the China Government to promote the development of the domestic sports industry and boost domestic consumption. These measures and initiatives are expected to contribute positively to the sports industry growth in the medium and long term;
- (ii) Huge and rising population within China, particularly with the implementation of two-child policy;
- (iii) Rising disposable income per capita for China citizen; and
- (iv) Increasing awareness on healthy lifestyle and growing popularity of sports

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 30 June 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 2017	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 2017	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 30 June 2018 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 loan from financial institutions, arranged in the PRC and denominated in RMB.

As at 30 June 2018, the Group's outstanding borrowings liabilities are as follows:-

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
Current (<i>within 12 months</i>)			
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	
	30.6.2018 RMB'000	30.6.2017 RMB'000	30.6.2018 RMB'000	30.6.2017 RMB'000
Basic earnings per share				
Profit attributable to equity holders of the parent	<u>5,817</u>	<u>4,322</u>	<u>10,366</u>	<u>8,077</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,416,130</u>	<u>1,347,740</u>	<u>1,384,218</u>	<u>1,347,740</u>
	RMB cent	RMB cent	RMB cent	RMB cent
BEPS	<u>0.41</u>	<u>0.32</u>	<u>0.75</u>	<u>0.60</u>

The basic earnings per share for the quarter and financial period ended 30 June 2017 have been adjusted, taking into account the effects of bonus issue completed 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 30 June 2018, the Group has 126,260,828 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 RM0.14, lower than the exercise price of the warrant.

Accordingly, the diluted earnings per share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at 30 June 2018. Relevant disclosure and information, where applicable, would be made in future interim financial reports and annual financial statements.

Warrants 2015 / 2018 has expired subsequent to period end on 3 July 2018.

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:

	Quarter ended 30.6.2018 RMB'000	Year to date ended 30.6.2018 RMB'000
Interest income	643	1,243
Interest expense	(61)	(122)
Depreciation and amortisation expenses	(3,875)	(7,730)
(Allowance for)/Reversal of expected credit loss	(95)	98
Foreign exchange (loss)/gain	(329)	(329)
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 RM0.6101 at 30 June 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 30.6.2018 RM'000	Quarter ended 30.6.2017 RM'000	Financial period ended 30.6.2018 RM'000	Financial period ended 30.6.2017 RM'000
Revenue	70,370	85,166	133,098	166,762
Cost of Sales	<u>(57,438)</u>	<u>(70,358)</u>	<u>(109,722)</u>	<u>(138,557)</u>
Gross Profit ("GP")	12,932	14,808	23,376	28,205
Other Income	334	348	818	670
Distribution Costs	(31)	(37)	(57)	(66)
Administrative and Other Expenses	(7,926)	(11,187)	(14,806)	(21,497)
Finance Costs	<u>(37)</u>	<u>(60)</u>	<u>(74)</u>	<u>(119)</u>
Profit before Tax ("PBT")	5,272	3,872	9,257	7,193
Tax Expense	<u>(1,722)</u>	<u>(1,235)</u>	<u>(2,932)</u>	<u>(2,266)</u>
Profit For The Period ("PAT")	<u>3,550</u>	<u>2,637</u>	<u>6,325</u>	<u>4,927</u>
Other Comprehensive Income:				
Foreign currency translations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>3,550</u>	<u>2,637</u>	<u>6,325</u>	<u>4,927</u>
Profit attributable to:				
Equity holders of the parent	<u>3,550</u>	<u>2,637</u>	<u>6,325</u>	<u>4,927</u>
Total Comprehensive Income attributable to:				
Equity holders of the parent	<u>3,550</u>	<u>2,637</u>	<u>6,325</u>	<u>4,927</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.25	0.20	0.46	0.37
- Diluted (sen)	0.25	0.20	0.46	0.37



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

	As at 30.6.2018 ⁽¹⁾ RM'000	As at 31.12.2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	331,110	335,294
Land use rights	28,850	29,221
	359,960	364,515
Current Assets		
Inventories	2,984	3,704
Trade and other receivables	99,936	109,498
Current tax assets	537	1,020
Cash and cash equivalents	440,287	377,798
	543,744	492,020
TOTAL ASSETS	903,704	856,535
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	252,674	96,340
Reserves	575,006	676,768
TOTAL EQUITY	827,680	773,108
Non-current Liabilities		
Deferred tax liabilities	13,149	12,829
Current Liabilities		
Trade and other payables	59,824	67,547
Bank borrowings	3,051	3,051
	62,875	70,598
TOTAL LIABILITIES	76,024	83,427
TOTAL EQUITY AND LIABILITIES	903,704	856,535
Net assets per share (RM)	0.498	0.573



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

Quarter and period ended	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	
30 June 2017										
Balance at 1 January 2017	96,340	9,205	352,771	14,662	23,116	(125,013)	20,378	(1)	371,531	762,989
Total comprehensive income	-	-	-	-	-	-	-	-	4,927	4,927
Transactions with owners										
Transfer to statutory surplus reserve	-	-	-	-	599	-	-	-	(599)	-
Balance at 30 June 2017	96,340	9,205	352,771	14,662	23,715	(125,013)	20,378	(1)	375,859	767,916



**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	
30 June 2018									
Balance at 31 December 2017	96,340	9,205	352,771	24,449	(125,013)	20,378	(1)	394,979	773,108
Impact arising from adoption of MFRS 9	-	-	-	-	-	-	-	(704)	(704)
Balance at 1 January 2018	96,340	9,205	352,771	24,449	(125,013)	20,378	(1)	394,275	772,404
Total comprehensive income	-	-	-	-	-	-	-	6,325	6,325
Transactions with owners									
Ordinary shares issued pursuant to:									
- Exercise of warrants	48,908	43	-	-	-	-	-	-	48,951
- Bonus issue	107,426	(9,208)	(98,218)	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	789	-	-	-	(789)	-
	156,334	(9,165)	(98,218)	789	-	-	-	(789)	48,951
Balance at 30 June 2018	252,674	40	254,553	25,238	(125,013)	20,378	(1)	399,811	827,680



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

	Financial period ended	
	30.6.2018	30.6.2017
	RM'000	RM'000
Profit before tax	9,257	7,193
Adjustments for non-cash flow:-		
Non-cash items	4,656	4,673
Non-operating items	(684)	(552)
Operating profit before working capital changes	<u>13,229</u>	<u>11,314</u>
Changes in working capital		
Net change in current assets	9,638	22,232
Net change in current liabilities	(7,723)	(10,108)
Cash generated from operating activities	<u>15,144</u>	<u>23,438</u>
Income tax paid	(2,129)	(2,113)
Net cash from operating activities	<u>13,015</u>	<u>21,325</u>
Investing activities		
Interest received	758	670
Purchase of property, plant and equipment	(161)	-
Net cash from investing activities	<u>597</u>	<u>670</u>
Financing activities		
Interest paid	(74)	(119)
Proceeds from issuance of shares pursuant to exercise of warrants	48,951	-
Net cash from/(used in) financing activities	<u>48,877</u>	<u>(119)</u>
Net change in cash and cash equivalents	62,489	21,876
Cash and cash equivalents at beginning of financial period	<u>377,798</u>	<u>343,003</u>
Cash and cash equivalents at end of financial period	<u>440,287</u>	<u>364,879</u>
Cash and cash equivalents at end of financial period		
Cash and bank balances	<u>440,287</u>	<u>364,879</u>